UNITED STATES
INTERNATIONAL TRADE COMMISSION

In the Matter of:	)	
	)	Investigation No.:
BARIUM CARBONATE FROM CHINA	)	731-TA-1020 (Preliminary)

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Tuesday,
October 22, 2002

Room 101
U.S. International
Trade Commission
500 E Street, SW
Washington, D.C.

The preliminary conference commenced, pursuant to Notice, at 9:30 a.m., before the Director of Investigations of the United States International Trade Commission, LYNN FEATHERSTONE Presiding.

APPEARANCES:

On behalf of the International Trade Commission:

LYNN FEATHERSTONE, Director of Investigations
GEORGE DEYMAN, Supervisory Investigator
FRED FISCHER, Investigator
CHARLES ST. CHARLES, Attorney/Advisor
CATHERINE DeFILIPPO, Economist
CHARLES YOST, Auditor/Accountant
JACK GREENBLATT, Commodity-Industry Analyst

APPEARANCES OF INTERESTED PARTIES:

In Support of the Imposition of Antidumping Duties:

C. BALLARD MAULDIN, President
RAYMOND L. McCAIN, VP of Marketing & Sales
THOMAS S. BOURDON, Sales & Marketing Manager
WILLIAM F. EMBERSON, Product Manager for Barium Carbonate
GARY D. GRAVES, Product Manager for Barium Division
Chemical Products Corporation

JOSEPH H. PRICE, Esquire
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Gibson, Dunn & Crutcher, LLP
Washington, D.C.

In Opposition to the Imposition of Antidumping Duties:

BEN GUTMANN, President
ALAN CHALUP, Vice President
BassTech International

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I N D E X

P R O C E E D I N G S

(9:30 a.m.)

MR. FEATHERSTONE: Good morning. Welcome to the United States International Trade Commission's Conference in connection with the preliminary phase of Antidumping Investigation No. 731-TA-1020 concerning imports of Barium Carbonate from China. My name is Lynn Featherstone. I'm the Commission's Director of Investigations, and I'll preside at this conference.

Among those present from the Commission Staff are George Deyman, the supervisory investigator; Charles St. Charles, the attorney/advisor; Cathy DeFilippo the head of the economic unit; and Jack Greenblatt the industry analyst, We'll hopefully be joined shortly by the investigator Fred Fischer and the accountant, Chip Yost.

The purpose of this conference is to allow you to present to the Commission through the staff your views with respect to the subject matter of the investigation in order to assist the Commission in determining whether there is a reasonable indication that an industry in the United States is materially injured or threatened with material injury or that the establishment of an industry in the United States is materially retarded by reason of imports of the merchandise which is the subject of the investigation.

Individuals speaking in support of and in

opposition to the petition have each been allocated one hour to present their views. Those in support of the petition will speak first.

The Chair may ask questions of the speakers either during or after their statements, however no cross-examination by parties or questions to opposing speakers will be permitted.

At the conclusion of the statements from both sides, each side will be given ten minutes to rebut any opposing statement, suggest issues on which the Commission should focus in analyzing data received during the course of the investigation, and make concluding remarks.

This conference is being transcribed and the transcript will be placed in the public record of the investigation. Accordingly, speakers are reminded not to refer in their remarks to business proprietary information and to speak directly into the microphone. Copies of the transcript may be ordered by filling out a form which is available from the stenographer.

This proceeding is also being shown within the building on closed circuit television.

You may submit documents or exhibits during the course of your presentations however we will not accept materials tendered as business proprietary. All information for which such treatment is requested must be submitted to

the secretary in accordance with Commission Rule 201.6.

Any documents that are letter-sized and copiable will be accepted as conference exhibits and incorporated into the record of the investigation as an attachment to the transcript. Other documents that you would like incorporated into the record of the investigation should be submitted as or with your post-conference briefs.

Speakers will not be sworn in. However, you are reminded of the applicability of 18 USC 1001 to false or misleading statements and to the fact that the record of this proceeding may be subject to court review if there is an appeal. We also ask that you state your name and affiliation for the record before beginning your presentations.

I've got one administrative matter to mention to everyone this morning and that is the Commission has a vote scheduled on a couple of investigations at 11:00 o'clock in this room so we will have to break for a short time, maybe ten minutes, at around 11:00 to accommodate that and we appreciate your help in doing that.

Are there any questions? If not, welcome Mr. Price. Please proceed.

MR. PRICE: Thank you Mr. Featherstone. Good morning to you and to the staff of the Commission.

For the record my name is Joe Price and with the

law firm of Gibson, Dunn & Crutcher. We're representing the Petitioner in this investigation, Chemical Products Corporation or CPC.

We appreciate the opportunity to appear before you this morning to discuss the injury being caused by imports of barium carbonate from China. As you will see, that injury is substantial, far exceeding the low threshold of reasonable indication required in this preliminary proceeding.

I'll begin with a brief overview of the facts of the case, but before I do I'd like to introduce our company representatives from CPC that are here with us this morning. Someone laughing said we have half the town of Cartersville here.

Ballard Mauldin, President of Chemical Products Corporation will testify first about the end uses and the manufacturing process for barium carbonate. Mr. Mauldin will also describe the current condition of the company.

Tom Bourdon, to Mr. Mauldin's right, Sales and Marketing Manager for CPC will discuss the impact of Chinese imports of barium carbonate and review current pricing trends.

Mr. Bourdon is in daily contact with CPC's customers for barium carbonate and is in the best position to describe exactly how much damage has been caused by the

unfair pricing practices of the Chinese producers in this market.

Also with us today from CPC are Ray McCAin, Vice President of Sales and Marketing; Gary Graves, Product Manager for CPC's Barium Division; and Bill Emberson, Product Manager for Barium Carbonate. They'll not be offering direct testimony but will be available to answer any questions that you may have, or the staff may have..

Following the testimony of the company witnesses my colleague Chris Wood, also of Gibson, Dunn & Crutcher, will conclude with a review of the statutory factors relating to material injury and threat of material injury and discuss those factors in the current context of Chinese imports. He'll also briefly discuss why we believe the Commission should find a single like product in this investigation.

The volume of Chinese barium carbonate imports has increased dramatically this year, both in absolute terms and as a proportion of the total U.S. market.

Through June 2002, the interim period in this case, imports of barium carbonate from China totaled 6,895 tons. That's up from 2,683 tons during the same period in 2001, an increase of more than 150 percent in a single year.

Imports from China through June 2002 are already greater than imports in any full year during the period of

investigation.

At the same time that the volume of barium carbonate from China has surged, the prices for those imports have fallen steadily. In 1999 the average unit value of Chinese barium carbonate entering the United States was around $330 per ton. in the current interim period, through June 2002, the average unit value is $232 per ton. That's a fall of almost $100 per ton in a little over a year.

The other remarkable pricing trend shown by the import statistics is the degree to which Chinese imports undersell imports from other non-subject countries. The Chinese AUV in 1999 of $330 per short time was almost $240 per ton less than the average value of barium carbonate imported from other sources. If anything that trend has accelerated during the period of investigation. Thus in the current interim period through June 2002 the average landed duty value paid of barium carbonate from China is less than half the value of other imports.

Now in some cases a huge differential in values of different import sources might just mean that a wide range of different grades or product types with distinctive characteristics and values were being reported in a single HDSUS category. but barium carbonate is a basic commodity chemical that is sold in a small number of types that differ

principally in flow characteristics.

As Mr. Mauldin and Mr. Bourdon will describe in a few minutes, Chinese barium carbonate is interchangeable with the barium carbonate sold by any other producer in most end use applications.

Differences in product quality are simply not an issue. The one exception is a specialized product that CPC supplies to the brick industries that account for a relatively small share of the total market.

The effect of the increasing quantities and declining values of Chines imports has been exactly what one would expect in a market for a commodity product. Market prices have been severely depressed when the Chinese producers and their importers have sliced prices to gain market share. By consistently underbidding and underselling other suppliers Chinese imports have effectively displaced other import sources in the United States.

Indeed, one producer, CMV in Mexico, has been forced to shut down its barium operations due to lo prices.

Chinese imports are now around 70 percent of total imports into the United States, up from just 20 percent in 1999.

As a result, CPC is now most frequently in direct head-to-head competition with imported Chinese barium carbonate across the market and the impact of that unfair

competition on CPC has been substantial.

Barium carbonate is sold mainly on price. In contract negotiations customers use bids received from Chinese importers of barium carbonate to set the framework for negotiations with CPC. Even if CPC responds to the Chinese bid and manages to retain the business it still harms in two ways.

First, the contract price is lower, often much lower, than the previous price to the customer. This directly impacts CPC's bottom line, resulting in diminished returns on CPC's barium carbonate operations.

Second, it is a virtual certainty that the customer's next round of bids will be met with even lower price offerings from importers of the Chinese product. CPC's prices are essentially being undercut at all levels.

CPC simply cannot compete in a marketplace where prices are driven by competition with dumped imports. While CPC has been able to retain business at many accounts, it has sacrificed its profitability to do so. As CPC has struggled to maintain its position, imports from China have continued to enter the United States in larger quantities and at lower prices. Relief from these unfairly traded imports is critical for the survival of CPC's barium carbonate operations.

Finally, there's every reason for concern that

notwithstanding the current injuries to CPC, the threat posed by Chinese imports only stands to increase in the future.

As we'll describe in more detail later, the Chinese industry producing barium carbonate is by far the largest in the world and is extremely export oriented. In fact there has been a repeated pattern of Chinese producers targeting foreign markets and using low prices to gain market share and damage local producers. Just two years ago Indian producers of barium carbonate were forced to seek an antidumping order to prevent their market from being overrun by increasing levels of Chinese barium carbonates.

Chines producers are constantly adding new capacities for barium carbonate production and the United States has evidently become an increasingly attractive destination.

We've already seen exports shoot up dramatically in the first half of this year. As more and more customers become familiar with the Chinese product it is highly likely that the Chinese will be able to gain more market share and CPC will experience even more severe levels of material injury.

Mr. Mauldin will now discuss the condition of CPC and provide some basic introduction to the end uses and production processes for barium carbonate.

MR. MAULDIN: Thank you, Joe. And good morning to everyone.

My name is Ballard Mauldin and I'm President of Chemical Products Corporation located in Cartersville, Georgia. Most of the time we refer to ourselves as CPC so I shall do so in my testimony.

I've been involved with the production of barium carbonate really since 1975. I just sincerely appreciate the opportunity to come before you lady and gentlemen this morning and plead our case. Thank you so much.

Let me tell you just a bit about CPC and who we are. CPC is a private, family-owned corporation that has produced barium carbonate in Cartersville, Georgia since 1933. CPC also produces other barium and strontium chemicals as well but barium carbonate is really our most important product. It's the product that we sort of began with and we always like to refer to it sort of as our bread and butter product.

We employ about 250 people at our plant in Cartersville.

At one time, just a few years ago, there were several producers of barium carbonate in the United States and that included such companies as Sherwin-Williams and also the FMC Corporation. Today, however, CPC is the only domestic producer of this product in commercial quantities.

CPC has survived and has prospered, I must say, in this market based on our willingness to invest in new facilities, in new products, in our ability to adapt to the increasing environmental regulations that have occurred over the last several years. Also in providing the highest quality product and service to our customers.

As a result of our effort we believe, and I personally firmly believe, that CPC currently is the most efficient producer of barium and strontium chemicals in the world and that certainly includes barium carbonate as well.

However, today we find that our achievements and our future viability as a domestic producer of barium carbonate are seriously imperiled by the disruptive effects of the Chinese imports. The import numbers that Mr. Price has just mentioned basically really speak for themselves. Chinese barium carbonate is entering the United States and is being offered to customers at prices that are far below the cost of production for CPC and any other world manufacturer. Fueled by massive underselling, Chinese imports are rapidly taking market share and forcing prices down throughout the market. Imports of barium carbonate from China are up by more than 150 percent -- two and a half times so far in the year 2002.

The harmful effect on CPC of those surging imports can hardly be overstated.

As Mr. Bourdon will describe later, we have lost sales to Chinese imports, our pricing has been decimated by the impact of these imports, and there is no apparent end in sight.

Now, by way of introduction I'd like to spend just a few minutes and tell you how barium carbonate is produced and also describe the end uses for barium carbonate.

The basic raw material that barium carbonate is produced from is a mineral called barite, or barite ore which is found naturally occurring in a number of places around the world including India, China, Germany, Mexico, Australia and the United States. CPC is very fortunate in being located very near, in fact it's about two miles, from the largest barite deposit in the United States.

I've got a sample of our ore that I've got with us today and I'll be happy certainly during the questions and answers to let you guys examine it, but you'll see from the ore that it's just a rock. It's just a crystalline type of material if you broke it open and took a look at it.

Typically it's between 96 and 97 percent barium sulfate. That's the chemical compound that we're interested in, the barium sulfate. However the three or four percent of impurities that are in there, it does have some strontium sulfate, it's got some silica and it's got some iron in it as well and some other impurities we'll talk more about in a

moment.

Let me try to, if I may, paint sort of a verbal picture of the process and I will say that in questions and answers if you wish we do have schematics that we can got through in great detail of how the stuff is produced.

We first have to grind this rock. We have to grind it down into a powder to get it to a form that we can do something with it chemically.

We go through a process called chemical reduction. Chemical reduction is a large cylindrical device of maybe 200 feet long and ten feet in diameter that we feed the material down through and we go through a process to reduce the sulfate, and I would borrow back on your high school chemistry, but we reduce the sulfate from a sulfate to a sulfite and we do that because this material as a sulfate is very very very insoluble. In fact it's probably one of the most insoluble materials on mother earth. However, the sulfite is very soluble and we'll get into the reasons for that in just a moment.

The kiln. Let me say something about the kiln. That's the first important part of the process.

It takes a substantial amount of time to achieve really the proper operating conditions on a kiln. A kiln is a very sensitive piece of equipment. Kilns are designed with the rate in mind. They're designed with a capacity in

mind. And to vary from that capacity is really a no-no in the world of kilns. Rotational speed, slope, bed depth of the reactant, all those things are considered in designing a kiln.

If kilns are not running constantly at close to full capacity you find yourself in the situation where you lose quite a bit of efficiency and yield and obviously the producer incurs substantial loss. In other words, and the point I'm trying to make here, this is not a process or not an industry where it is desirable to just take capacity off-line and start it up and off and on. It's not an off/on, up/down sort of a process.

Most of the oldtimers that would operate a kiln would say it takes at least a day or two, it's in their words, to line it out, and that is to achieve the reaction zone and everything in a kiln exactly the way it should be.

The product of the kiln is barium sulfite. Remember I said we reduce the sulfate to a sulfite. It's run through leaching tanks at that point. The good news is, at least for the industry, we're very fortunate that the sulfite is extremely soluble, however the impurities are extremely insoluble. So that lends itself to a separation process where we're able to leach out the good stuff and leave the residue.

At that point we run the material through

precipitation towers where carbon dioxide is bubbled through the solution and then this produces barium carbonate as a precipitant. It's actually slurried in water at that point, it looks much like a milkshake would look coming out of the system. It goes through a dewatering process where water is squeezed or removed from that, and then it goes through a drying process. The drying can be, and that's important too in our considerations today, can be one of various forms. One process would make it powdered and there's other variations to make a granular barium carbonate.

The basic production process I've talked about, that I've just described, is common to both CPC producers and Chinese producers. The basic process, that is. Like CPC Chinese producers make both the powdered and the granular form. We'll get into more of what those are in just a moment. However we're aware, and I am personally aware of a few very significant differences and that's additional required equipment and steps that are involved in the Chinese process in order to make barium carbonate and I want to emphasize that to you.

Most of the differences have to do with the lack of availability of some key energy or chemical inputs in China. For example, CPC has ready access to high quality carbon dioxide, while the Chinese producers are forced to

make their own carbon dioxide gas from reacting limestone and coal.

What I'm simply saying is they have to have another piece of equipment much like the reduction kiln, an additional piece of equipment, that large cylindrical device in order to run coal and limestone down to produce their own carbon dioxide.

Similarly, the lack of natural gas supplies. We have natural gas pipelines all over our nation. They do not. In the interior part of China with the lack of natural gas supplies they have to rely on coal or kerosene in order to do their drying and to do their granulating as well. We can do that in the U.S. here with one piece of machinery using natural gas.

The process they have to use, they have to use two major pieces of machinery, really three. They have to first dry it in one device, then they have to transfer it out of that device into another device in order to granulate it and that's because they're having to use coal in an indirect fired process in order to dry it first and then bring it up to temperature with kerosene secondly.

The point is, all these differences that make the Chinese production process far less efficient and more complicated than CPC's and should, and I underline the word should, result in substantial cost disadvantages. However,

we've not seen that cost considerations are imposing any constraint on prices being offered by sellers of Chinese barium carbonate in the U.S. at all.

Major uses. Two principal uses of barium carbonate in the United States are the production of one, glass, and that's primarily TV glass; and two, the production of material going into the brick and tile industry. I'll get to those in just a moment.

However, the conditions in those two markets, I must say, could not be more different at least for CPC. In the glass production applications for both powdered and granular forms of barium carbonate we are seeing the effects of unrelenting Chinese underselling that is on the verge of destroying our business.

Conversely, for the brick and tile industries, however, we've been able to keep some protection because CPC supplies a very specialized product that as of yet the Chinese have not copied in large volumes. Unfortunately for us, the large majority of barium carbonate marketed in the United States is for the glass production and our overall business performance in barium carbonate has been increasingly dismal.

The glass production market of barium carbonate is basically further divided into a couple of segments. There's a TV panel glass producers is one segment. They use

granular barium carbonate. There's also the other glass producers who tend to use both granular and powdered. The choice of whether to use granular or powdered barium carbonate is really just a function of the end user's equipment. Most TV glass producers rely on jets of air to convey barium carbonate through their process and into their finished systems. The barium carbonate used along those automated lines makes it necessary that it must flow very smoothly and at a constant rate under that air pressure. It must freely fall, and this is probably more important, it must freely fall from silos or storage bins. In other words when they open a valve at the bottom of a bin it needs to fall, it needs to flow out into the air stream in order to be carried to one point or the other.

I've got a couple of samples here that we'll certainly make available during the question and answer period as well demonstrating the difference between the texture of the two and the falling and flow characteristics of the two as well.

You'll notice from the samples when we do demonstrate them that the barium carbonate granular form is very free flowing, it flows very nicely and that the other is not free flowing at all. In fact it's sort of the difference between pouring sugar and pouring baking flour. You'll see that in a moment.

The TV glass producers, the television glass producers are by far the largest end users for barium carbonate in the United States. These glass producers use a mixture of barium and strontium and other compounds and historically have used lead to make their glass screens or panels. These are the face plates for cathode ray tubes.

For example, a face plate of glass for a 35 inch set might weigh about 100 pounds. Eight to ten pounds of that weight would be just the barium itself.

There's another point. There's no substitute for barium within that glass itself. TV glass producers must use barium to achieve the X-ray absorbent characteristics needed for the glass screen.

You may recall from your physics in high school or college that X-rays are emitted from a cathode ray tube through an electron gun and they're focused, if you will, on a screen. Had it not been for barium carbonate or barium within that glass that you're looking through, the X-rays would be coming forward and would be striking you as the viewer. Barium does block those X-rays.

Some of us have had the unpleasant experience, I guess you would say, of having a lower gastrointestinal physical exam, some refer to it as a barium enema. That's exactly what that is all about. Barium sulfate is injected into our bodies and X-rays are taken and barium is opaque to

X-rays, hence giving an image on the screen of our lower gastrointestinal system.

The trend in television glass has been to reduce and really to eliminate the amount of lead in glass because of environmental issues and increases in the proportions of barium used. As a result we have seen a sustained increase in demand for barium carbonate from the television glass manufacturers in recent years. In fact three of the four major glass producers in the U.S. have now totally converted to a higher barium, no lead formula for paneled glass.

Again, this should, and I underline the word should, this should be a favorable condition to CPC but the fact is that prices have been driven so far down by Chinese imports that we're seeing no benefit at all.

Also it's important to recognize there are only four television panel glass manufactures in the United States. In a market that is dominated by a small number of large producers we cannot afford to lose those accounts. We can't afford to lose one account or let our competitors take away significant sales.

As a result we must compete aggressively on price in order to avoid losing volume.

As Chinese barium carbonate is increasingly offered at these rock bottom prices we're being forced to really make a choice, to choose between entering with money-

losing contracts to retain our market share or giving us sales volume and operating at substantially lower levels of capacity utilization.

In addition to the TV glass producers CPC also sells barium carbonate to a wide range of other glass producers who are not involved in television glass. This is the second subsegment of the glass area.

It's used mostly to produce various types of decorative and some specialty glasses where good formability and a high refractive index is important for the particular end use applications.

For example the high refractive index of glass containing barium carbonate means that the glass will reflect light more brilliantly. This is a very important characteristic for the reflective glass on the surface of such things as road signs and license plates which must shine brilliantly in the headlights at night. It's used on the roads, in airports, in paint striping. It's used to mark runways and to mark roads as well for the same reason.

As a result barium carbonate is used as an input to produce that reflective glass. Those paints, those stripings, it's really very small glass beads that are made that are inserted in those paints that have barium in there that offer that refractive index to make them very highly visible.

But when you see a car license plate at night, think of barium if you would.

Barium carbonate is also used to improve the formability of glass which is useful in producing small or complicated articles like laboratory tube glass and some specialty glass bottles.

So similar to the situation in television glass, CPC has been repeatedly forced to lower prices and has lost sales to Chinese competition to customers in the glass industry. The reason is simple. Both powdered and granular barium carbonate are commodity products that are sold principally on the basis of price. As long as the barium carbonate meets basic industrial standards for the product, and the Chinese product does, it's not particularly meaningful to the end user whether the product is produced domestically or imported from overseas.

For the vast majority of end uses there is no differentiation among grades of supplies of barium carbonate. This puts CPC into direct competition with imports from China for the same customers with price -- with price as the principle deciding factor.

Talk about brick and tile. This competitive situation is really somewhat mitigated in the context of sales to the brick and tile industry customers. This is the second major area I mentioned that barium carbonate goes

into.

CPC specializes in a product marketed as Micro-Flo, that's a trademarked product we have that is designed specifically for the needs of these end users. In the brick and tile industry barium carbonate is used as an agent to prevent the formation of what the industry calls scum on the surface of the brick or tile during drying.

The base clay that's used to produce the brick and tile often contains soluble sulfates, most likely it's calcium sulfate, that migrate to the surface when the brick is fired or dried resulting in a white residue, an unsightly residue on the brick.

The addition of fine and I might say highly reactive barium carbonate particles in the clay in production minimizes the migration to the surface residue formed by these soluble sulfates. Barium carbonate particles react with those sulfates to form insoluble compounds that do not form surface residue.

I mentioned to you barium sulfate is very insoluble. The barium carbonate reacts simply with these sulfates, if it was calcium sulfate, to make barium sulfate inside the brick, in effect ties up those sulfates and does not allow them to come to the surface to make the unsightly scum. So hence it's used to make a very clear red brick. For instance the building across the street is the same way,

it's very likely that barium carbonate is employed in the making of that brick.

CPC's Micro-Flo product is optimized for use in brick and tile production because it offers a unique combination of superior flow characteristics for feeding into production lines and the excellent disbursability and reactivity with the soluble sulfates of the clay.

CPC also offers technical support of the clay analysis to Micro-Flo customers and leases very specialized feeding equipment for the use of the Micro-Flo product. These distinguishing features have limited the degree of direct price competition for CPC with Chinese imports in this relatively narrow segment of the market.

Overall, however, unfairly priced Chinese imports have had a devastating effect on our barium carbonate operations at CPC. Our financial performance has deteriorated significantly over the last several years. Our production and capacity utilization have declined. Even as we have experienced dramatic and unprecedented increases in natural gas costs in the years 2000 and 2001, for example, the underselling by Chinese importers of barium carbonate has driven our pricing down to unsustainable levels and caused us serious injury.

Now a bit about the Chinese product. We're very familiar with the Chinese product because importers,

particularly BassTech International, have been very aggressive in marketing Chinese barium carbonate to CPC in the past few years. We believe that their intention was to use CPC's existing customer relations particularly in the television screen glass market to establish a track record for Chinese barium carbonate in the U.S. market.

Importers could then use that record to enhance their credibility as suppliers and increase sales to other accounts.

We purchased some of the Chinese product to test its quality, its consistency, and to measure how much product was available for shipment into the United States. We were unwilling to comply with attempts to get us to purchase even larger quantities of Chinese material, especially while BassTech and other importers of Chinese product were underbidding our prices at every major customer account.

We cut off all purchases of Chinese barium carbonate in mid 2001. We have focused on maintaining our production and market share in the face of increasingly severe price competition.

We're here today because our company is at a crossroads in terms of barium carbonate. We cannot continue to operate in an environment where pricing is determined by dumped Chinese imports. If some action is not taken to

remedy this situation we may ultimately be forced out of the barium carbonate manufacturing business which would be the end to the U.S.' only domestic producer.

The market conditions that we're facing now in barium carbonate are unlike, and I emphasize, are unlike anything that our company has ever experienced before. We are not opposed to fair import competition. As a matter of fact CPC has in fact competed with imports of barium carbonate for years mostly from CMV in Mexico and from Solvay who at one time was in Germany. These producers have historically held a significant share of the U.S. market. Price competition with CMV and Solvay, however, has always been consistent with basic market economic principles in which a producer at least considers the cost in making pricing decisions.

What we have recently is with dumped Chinese imports forcing down U.S. prices, imports from Mexico and Germany have fallen dramatically. We understand that CMV, that's the Mexican producer, has been forced to shut down its barium carbonate production operations because prices have been driven so low in the United States and Mexico. Solvay has suffered in the U.S. also.

At CPC we're facing some difficult market conditions created by Chinese pricing but we do not, and I emphasize, we do not have the alternative of leaving the

U.S. market. We have made every possible effort to increase our competitiveness in the face of Chinese price competition. We have improved our productivity. We have forced price reductions on our suppliers and have aggressively lowered our prices to retain business. However, we have continued to lose sales and see prices driven down below our costs of production throughout the market.

We also have, and I must say, little hope that the situation will improve over time without some relief from the Commission and the Department of Commerce. Not only are the producers becoming more and more aggressive in selling barium carbonate to the United States, there are practically no limits on the amount of barium carbonate that they are able to supply. We, with good knowledge believe that the current production capacity in China for barium carbonate exceeds 400,000 tons a year. That dwarfs CPC's capacity and is enough to supply the entire U.S. market many many times over.

Also, Chinese capacity vastly exceeds any measure of demand in China as well, which means that these producers must strongly rely on export markets to sell their excess production.

As I mentioned, the nature of barium carbonate production means that all producers try to operate at very

high levels of capacity utilization. Our experience at CPC has been that Chinese producers will sell for export at almost any price just to offload their excess barium carbonate production.

The decline in Chinese prices and rapidly increasing levels of imports suggests that Chinese producers have targeted the U.S. market for barium carbonate. Unless the Commission and the Department of Commerce act to offset these unfair pricing practices, CPC faces a very uncertain future for its barium carbonate business.

I thank you for your time. I thank you for lending us your ears. The employees of CPC thank you as well.

MR. BOURDON: Good morning. My name is Tom Bourdon and I'm the Sales and Marketing Manager for Chemical Products Corporation. I've been employed at CPC for 16 years and have held the position of Sales and Marketing Manager for the last ten.

For my testimony today I would like to focus on recent developments in the barium carbonate market and in particular on the damaging impact of Chinese price competition that we are seeing across our customer base.

Since 1999 imports of Chinese barium carbonate have become increasingly aggressive in attempting to take market share in the United States. This competition is

strictly based on price.

As Mr. Mauldin discussed earlier, from the customer's perspective it makes little difference whether they use CPC's products or Chinese imports to satisfy their requirements for ordinary powdered or granular barium carbonate. As long as a producer can show that its product meets commercial standards for impurities, its product will be interchangeable with CPC's in the vast majority of applications that we serve.

The key issues for the customer are product availability, the ability to make timely and consistent deliveries, and most importantly, price.

Recently there's been a dramatic increase in the amount of Chinese barium carbonate that is being made available for U.S. sale. In the past Chines product was not always available on a consistent basis. Granular barium carbonate in particular was often not available or offered only in limited quantities. However that situation has changed completely. All types of barium carbonate are now being offered for export to the United States by Chinese producers with no indications of any supply constraints.

CPC has received offers from Chinese sources to sell us thousands of tons of barium carbonate at extremely low prices. We can only speculate as to the reason for this change. Although we know that the Chinese are constantly

adding capacity and that the other important export markets like Japan and Asia are experiencing poor economic results. That may make the U.S. a more attractive market.

Whatever the causes may be, we could go on the Internet today and find no problem in finding any number of Chinese exporters all offering barium carbonate for sale to the United States. Because availability of Chinese product is no longer an issue, importers are currently able to stock large amounts of Chinese barium carbonate in warehouses for sale to U.S. customers and guaranteed deliveries to be made over the course of long term contracts.

Barium carbonate is stable and can be held in inventory for a long time without any deterioration in quality. This has enabled these importers to approach our customers with an assured source of supply. And because Chinese prices are so low, it is easy for these importers to come in with bids as much as $200 per ton lower than CPC to try to take the business. In fact massive underselling and aggressive bids to take market share is exactly what we are seeing across all of our customer base.

The typical pattern is for a customer to receive a bid from an importer of Chinese material and then use that bid to extract price reductions from CPC. WE are offered the choice of meeting the Chinese price or losing some or all of our volume at that account. If we do meet the bid

and lower our price we can be sure that the Chinese will simply come back with even lower price to the customer the next year or the next time.

This underselling has driven our prices to unsustainable levels for sales to glass industry customers in particular. Glass production is the largest end use for barium carbonate. Our major volume accounts are several large television glass producers and we also sell to many small and medium sized producers of other glasses as well.

If you look at the pricing trend that we included in our petition you can see how devastating the effect of Chinese price competition has been over the last few years. By contrast, in our sales to the brick industry where we're able to provide a specialized product and customer service that the Chinese do not currently offer we have not experienced anything similar to the erosion that has occurred to our sales in the glass industry.

The magnitude and the speed and the decline in these prices of barium carbonate even to customers supplied by CPC for decades are like nothing I have seen in 16 years of experience with barium carbonate.

Just for example, in the last ten days -- ten days -- we have been forced to address price quotes from Chinese sources that underbid CPC by $160 per ton to an East Coast customer, the same $160 to a MidWest customer, and more than

$300 per ton to a West Coast customer. As you can see, this competition spans all regions of this country.

Also, just as there appears to be no geographical boundaries for the influx of the Chinese barium carbonate there are also no obstacles associated with the size of the accounts they are trying to sell -- to the largest bulk rail car customer to the small, less than truckload customer shipped from distributor warehouses. Virtually no account has been left unaffected by Chinese pricing.

These show that the Chinese and related importers have been extremely successful in establishing the necessary infrastructure to supply customers throughout the U.S. barium carbonate market. The effects of this underselling on CPC's prices and our profitability have been nothing short of ruinous.

To this point we have done everything we can to retain our volume and market share position. In many cases this has meant dropping prices to levels that do not even cover our costs. Still there has been no reduction in the degree of Chinese underselling.

If current trends continue we will inevitably lose more sales to Chinese barium carbonates and be increasingly unprofitable on sales that we do make.

In 2002 we are seeing imports increase dramatically as a result of unfair price practices. The

most important development has been a large increase in sales of Chinese barium carbonate to one of the large television glass producers and quotations to the three other domestic television glass producers.

Television screen glass is the largest single use of barium carbonate in the United States. There are only a small number of producers who account for the large proportion of our sales at CPC. It is by far our single most important market for barium carbonate.

Importers of Chinese barium carbonate have been very aggressive in bidding at these accounts. While Chinese volumes have been concentrated so far at one television glass customer, low priced Chinese bids have driven prices down dramatically, even at accounts where CPC ultimately keeps the business.

In our post-conference submission we can supply you with data showing the degree to which prices have fallen. We have no choice but to defend our position at these accounts because a significant loss of volume would essentially put us out of the barium carbonate business.

Now the Chinese have gained a foothold in supplying granular barium carbonate to the television glass industry. We are seeing importers use this development as leverage to persuade more purchasers to switch to Chinese products.

I mentioned earlier the main barrier to Chinese market penetration in the past has been limited availability, especially for granular barium carbonate and also the lack of a track record in supplying a major account. Importers of the Chinese product are now approaching our customers in the television glass industry and elsewhere, and using their sales to a major screen glass producer to prove that they can reliably supply large quantities of barium carbonate.

Supplying a major customer in the television glass market enhances the credibility of the Chinese as suppliers and makes customers more willing to convert from purchases from CPC to Chinese barium carbonate.

Combined with the consistent pattern of Chinese underselling we are extremely concerned that the imports of Chinese barium carbonate are positioned to flood the U.S. market in the near future.

You may hear claims today that Chinese imports of barium carbonate have only displaced imports from other countries and therefore have not injured CPC. The reality is that nothing could be further from the truth. We have supplied information concerning sales we have lost to Chinese producers and other specific instances where our prices have been driven down by Chinese competition, and we certainly hope the Commission will talk to these customers

and substantiate all of the information.

More to the point, there is a huge difference between competing against fairly traded imports and trying to withstand the barrage of dumped imports from a group of producers who are export oriented and whose capacities dwarf our own.

We have competed for years against imported barium carbonate, mostly from CMV in Mexico and Solvay in Germany. Sometimes we took business from them and sometimes they took sales from CPC, but at least we knew that the competition was occurring on the basis of market economics and that we stood a good chance of competing successfully if we took steps to improve our efficiency and reduce our costs. Unfortunately there is no way for us to take similar measures to compete against the influx of imports from China. When we see barium carbonate offered for sale in the United States below our raw material cost, it is plain that the objective is simply to take market share at any price.

As a result, the displacement of other imports in the market with Chinese imports has driven prices down so far and so quickly that we have found ourselves with no recourse to save our business except through these proceedings.

It is also important to understand why imports of barium carbonate from Mexico and Germany have suddenly

fallen this year. The reason is that the market prices in the United States have been driven so low by Chinese imports that these producers have abandoned the U.S. market and in the case of CMV have stopped producing barium carbonate altogether.

Our main concern is that CPC will share in a similar fate unless action is taken to force Chinese producers to compete fairly at fairly traded pricing levels.

CPC has already suffered serious damage caused by the unfair pricing practices of Chinese producers and importers of barium carbonate.

Market prices today are at levels far below what demand conditions would indicate are reasonable. For a commodity chemical product such as barium carbonate, once prices have been driven down it is very difficult to recover any of that decrease. WE found this out in late 2000 when we tried to raise price in response to a sharp increase in natural gas costs. Those increases were ultimately rejected by our customers in the glass industry. Purchasers realized that we had no leverage to raise prices or even maintain them at current levels while importers of Chinese barium carbonate were underselling our existing prices by substantial margins.

Our prices actually wound up declining even further. This situation is only getting worse today. As

long as Chinese barium carbonate continues to pour into the United States at dumped prices we have no prospect of recovering any of the recent price declines and the survival of the barium carbonate business will continue to be at risk.

I want to thank you for your attention and I'd be pleased to answer any questions later.

MR. WOOD: Good morning. My name is Chris Wood of the law firm of Gibson, Dunn & Crutcher. My testimony this morning will deal with the condition of CPC's barium carbonate operations in terms of the statutory factors for material injury and the threat of material injury. I also have a few brief comments to make about the like product determination.

CPC's prices for barium carbonate deteriorated significantly over the period of investigation with the most significant declines coming in the January to June, 2002, period, interim period, in this investigation. As you've heard this morning, the root cause of these declining prices is competition from unfairly traded Chinese imports.

During the period of investigation, CPC has been forced to compete with these dumped imports from China to maintain its sales and market position. As a result, profits have declined significantly on the products where CPC faces this competition.

Before moving to the specific injury and threat of material injury criteria, I want to spend a few moments describing some of the relevant factors that affect competition in the U.S. market for barium carbonate.

First, as you've heard this morning, for most end uses barium carbonate is a commodity product. The primary determinant for sales is price. Customers can purchase and use domestic or Chinese products interchangeably in the overwhelming majority of applications. This is evident through the fact that CPC and importers of Chinese barium carbonate are competing for sales of the same end user accounts.

The one exception to this general interchangeability relates to sales to customers in the brick industry. CPC's specialized Micro-Flo product about which you've heard testimony today is commonly sold with equipment leasing and technical support services that provides for some differentiation from the imported Chinese barium carbonate at this point.

Second, the glass production industry, which accounts for most of the consumption of barium carbonate in the United States, is highly concentrated. A relatively small number of purchasers account for a large proportion of total barium carbonate use. These end users have considerable leverage in price negotiations with suppliers.

Moreover, because barium carbonate production facilities are designed to operate at high levels of capacity utilization, loss of market share at even one of these large customers can be expected to translate into significantly lower efficiencies, higher costs and declining profitability.

Third, the nature of import competition faced by CPC has undergone a significant change during the period of investigation. At the beginning of the POI, most imports of barium carbonate came from Mexico or Germany, traditional suppliers to the United States. Chinese competition was limited to relatively small volumes, mostly on the west coast, and shipments of granular barium carbonate in particular were relatively infrequent.

The surge in Chinese imports in 2002, however, has produced a radically different environment. Imports from Mexico and Germany have been forced from the U.S. market for the low-priced imports from China. As a result, CPC now competes directly for business with Chinese imports. When these imports enter at dumped prices, and our petition indicated that the margins, the dumping margins on these products, could be as high as 340 percent in some cases, CPC's own pricing and margins are negatively impacted.

In terms of industry conditions, CPC clearly meets the conditions for material injury. CPC's data show

downturns in most statutory criteria with the most significant declines occurring in the interim 2002 period when the Chinese imports have increased most dramatically.

Most significantly, as Chinese imports have spiked upwards in 2002, CPC's prices on directly competitive products have fallen sharply. This has led to a significant decline in CPC's overall profitability on barium carbonate operations.

The decline in CPC's profitability is closely correlated with the price depression brought about by the imports from China. The clearest illustration of this effect is through a comparison of CPC's pricing trends and financial performance on sales of granular barium carbonate and powdered barium carbonate.

Granular barium carbonate is sold mostly to the television glass industry. Most of CPC's sales of powdered barium carbonate, however, are of its Micro-Flo product sold to the brick and tile industry where there's relatively less competition from Chinese imports.

In other words, pricing and profitability trends for these two different products are a useful benchmark to evaluate the effects of Chinese price competition. By this measure, it's clear that Chinese underselling has been responsible for a substantial decline in CPC's net selling prices and operating profits.

While CPC was able to maintain stable pricing for its Micro-Flo product during the POI, there was a significant decline in its prices for the granular barium carbonate. Because the market for granular barium carbonate is dominated by these few small or few large television glass customers, CPC could not afford to give up volume at these individual accounts. Instead, the company was forced to react to the Chinese competition by lowering its prices to defend its market share.

Respondents may argue today that prices to customers in the glass industry have fallen because of a manufacturing recess or because of economic cycles. However, CPC's customers in the brick industry, as well as the glass industry, are operating in the context of the same overall economic conditions. Moreover, it's simply not plausible to attribute the very substantial fall in prices for barium carbonate to the glass industry for the relatively mild slowing of the economy in 2001 and so far in 2002.

Respondents may also argue that prices in the United States are higher than other parts of the world, and the glass manufacturers must have lower barium carbonate prices to remain competitive. However, the fact is that pricing for barium carbonate in many markets today is already dominated by the same low-priced Chinese imports

that are currently injuring CPC.

There is substantial evidence of the damaging effect the Chinese imports have had on the domestic industry in many local markets for barium carbonate. CPC's export opportunities, which at one time were substantial, have all but evaporated as Chinese imports have disrupted pricing around the world.

Although CPC is a more efficient producer of barium carbonate than any of the Chinese producers for the reasons you heard this morning, it cannot be expected to compete with the ongoing levels of dumping that we're seeing in the U.S. market today.

In summary, CPC is clearly experiencing material injury as a result of price competition from Chinese imports. I'd like to spend just a couple of moments discussing the statutory threat factors as well, because despite the severity of CPC's current condition there is a strong likelihood that the level of injury will only deepen over time as a result of Chinese imports.

The threat of material injury really comes down to the huge production capacity that has been amassed by the Chinese producers. We'll show in our post-conference brief that this is in excess of 400,000 tons annually and has been growing at an extremely rapid pace. By comparison, China's internal consumption is very modest. They are very heavily

export oriented.

Recent developments involving Chinese exports of barium carbonate to India illustrate how quickly Chinese producers can expand their presence to dominate a local market. In India, imports from China increased by more than 700 percent over a two-year period, going from 1,000 to almost 10,000 tons. Other import sources were pushed out, and the resulting depression in market prices forced the Indian domestic industry to seek an antidumping order.

What we're concerned about is the current import statistics suggest the same thing is unfolding in the U.S. market this year. There's no longer any doubt about the ability of Chinese producers to target the U.S. market and dramatically increase imports in a short period of time.

Similar to India, other traditional sources have been driven from the market, and prices are spiraling downward. Each of these factors suggests that CPC is under a current imminent threat of a further serious injury.

Thank you very much. I will take questions.

MR. FEATHERSTONE: Thank you, Mr. Wood and all the witnesses, for your testimony.

Mr. Fischer?

MR. FISCHER: Fred Fischer, Office of Investigation. Thank you for your testimony. I'll try to be brief here. I just have a few questions.

The first deals with I believe it was Mr. Mauldin or Mr. Price that had mentioned India had placed an antidumping order recently. If you could please provide more information in your post-conference brief or now if you'd like?

MR. WOOD: We'd be happy to provide more information on that in our post-conference brief.

MR. FISCHER: And also any information on imports that you just went through for India, the Chinese exports to India?

MR. WOOD: Yes. We actually have the numbers on all of those, and they will certainly be featured in our post-conference submission.

MR. FISCHER: Thank you. My next question is CPC had several other competitors until is it recently? Sherwin-Williams, FMC or any other competitors. When would they have left the U.S. market? When did they stop producing?

MR. MAULDIN: Ray, why don't you field that? Ray is our vice-president of sales and marketing.

MR. MCCAIN: In I guess the late 1970s and early 1980s, there were five or six other producers. There was the FMC Corporation, P&G, I think EBG was one. All of these exited over a period of five to ten years. A lot of it was environmental, but most of it was they just couldn't be

competitive in the market anymore.

Sherwin-Williams was one of probably the biggest that left, and they were in the early 1980s when we, as a matter of fact, purchased some of their technical information. Chicago Copper was another one that was in operation at that time.

In this interim period, everybody exited the business except CPC. We survived strictly because of all the actions that we had taken environmentally and staying with the market and being as good a producer as we could be.

MR. FISCHER: Thank you. My next question has to do with the raw material, barite ore. Mr. Mauldin had mentioned that your firm sits astride the largest deposit. Does CPC source all of their raw material locally from that mine?

MR. MAULDIN: Most of the material comes from that mine. The reason our plant is there is because of that mine. The family that I mentioned that owned the company actually started mining about 1908 in that area, as well as some other minerals in the area as well. Hence, that's why we're there. We started our operation in 1933 because of that barite deposit.

MR. FISCHER: Thank you. Mr. Mauldin, you had also mentioned that CPC imported some Chinese barium carbonate material. Did CPC sell any of that material

commercially?

MR. MAULDIN: No. It's very important. That's a very important thing to ask, too. It would not be classified as a resale.

We actually took that material, and we introduced it back into the process. I wouldn't want to go into great detail, and we'll certainly provide you as much detail as you need in writing because we have competitors in the room, but I will assure you that it went back through the process.

It was subject to and went into what we call the repulping area. It was wet again. It had to be dried again. There was other chemistry and chemicals that had to be added to it, if that sort of answers your question.

MR. FISCHER: Yes.

MR. MAULDIN: It was treated rather than a resale item as a raw material in the same sort of way that we would use barite as a raw material.

MR. FISCHER: If you would be kind enough to provide in your post-conference brief any more specifics about dates and quantities and foreign suppliers on that subject?

MR. MAULDIN: We certainly will. I'll assure you.

MR. FISCHER: That would be helpful. Is there a qualification process by end users in either the TV glass or the brick and tile market?

MR. BOURDON: Yes, there is. It's varying degrees. The qualification process could be simply to get a sample of material and qualify it in the lab and then go right into full production.

It could also mean to actually have some sort of a trial of the material first, a larger scale trial followed by, you know, full scale production, but in general reputation of the product based on other accounts it's being sold to and everything else lends a lot of credibility.

MR. WOOD: This is Chris Wood. Just to add to that, Tom, I mean my understanding, based on your conversations, is the qualification does not stand as a substantial barrier or hurdle for producers --

MR. BOURDON: No.

MR. WOOD: -- to come into a customer.

MR. BOURDON: No. That's true. It's not. It's not a real substantial barrier. I think in this case their product is looked at as being interchangeable with ours, and it is a commodity.

MR. FISCHER: In the TV glass industry or even in the brick and tile, are most of your customers long-term customers? Is there a lot of switching among suppliers even among Solvay or CMV? I understand the situation is changing, but if you could just describe how the market works?

MR. BOURDON: Well, that's a little bit of a loaded question because obviously the titles of these companies are changing all the time, but the basic plants that we're discussing, all of them, there was three plants that existed for a number of years. Ray could go back and comment more, but 20 or 30 years plus. The last plant, which is in the television glass business here in the U.S., is fairly recent, within the last four years.

Yes, we've had very long-term relationships with all of those customers going back, you know, 20, 30, 40 years.

MR. FISCHER: How many brick and tile producers or customers, potential customers, are there? You don't need to be specific now, but how many of that universe are your customers? If you could provide that confidentially in a brief?

MR. BOURDON: I think that I'd feel better about putting that in a post-conference brief. There will be a lot of detail.

MR. FISCHER: Thank you very much. Those are all my questions for now.

MR. FEATHERSTONE: Mr. St. Charles?

MR. ST. CHARLES: Thank you very much for your testimony today. My concerns relate to the like product question. It seems, first of all, in the petition itself

discussion is quite brief. I was wondering if in your post-conference brief you could address the six factors more completely?

It seems that for the powdered and the granular there's perhaps a price distinction because of the brick sector's isolation or not being a segment into which the Chinese product has entered. It seems that the end users and, therefore, the channels may differ as well. There may be some limitations on interchangeability in at least the portions of the manufacturing process.

You may elaborate now if you wish or simply address those factors.

MR. WOOD: This is Chris Wood. Just to address that very briefly now, and I didn't have a chance to go into it in too much detail in my testimony because we were running short on time, but I think what we heard from the testimony this morning is that the vast bulk of the production process is the same for powdered and for granular barium carbonate. You start with the same raw materials. You go through the same production steps. I mean, the differences are principally introduced at the end.

We'll go into more detail in this in our post-conference brief, but I think that there is some interchangeability. There are certainly plenty of instances in which a customer for powdered product could in fact use

granular product. They may choose not to or they may not need to for whatever reason, but it could certainly be done.

We also, and our witnesses can fill in more on this. I mean, certainly the same people, the same distribution channels, are used to sell the product, and the same company makes both the products here in the United States.

I might also direct your attention just briefly to the last time the Commission considered barium carbonate back in 1983 this issue was addressed, and the Commission did find a single like product in that determination. I know that's not binding, but it is out there.

MR. ST. CHARLES: Thank you. I look forward to seeing your post-conference brief. I have no more questions. Thank you.

MR. FEATHERSTONE: Why don't we break at this point for the Commission's vote? It is normally a very short proceeding, so we should be able to reconvene by about five or six minutes after the hour. You're more than welcome to stay here. If you want to leave, that's fine, too.

We'll recess at this point.

(Whereupon, a short recess was taken.)

MR. FEATHERSTONE: I would like to thank everyone again for your patience in that short recess there. We

appreciate that. We'll resume the conference now with Ms. DeFilippo.

MS. DeFILIPPO: Good morning. Thank you for your testimony. A few questions. I would like to start, just to make sure, and clarify to make sure I understand who is selling what and where. Based on what I heard this morning, the glass producers buy either granular or powdered but mostly granular. Is that right?

MR. BOURDON: Yes. That's true. A TV glass producer would be mostly granular or all granular, and there are some other glass producers that would use a powdered material.

MS. DeFILIPPO: And the Chinese product is available in the U.S. market in both granular and powdered.

MR. BOURDON: Yes.

MS. DeFILIPPO: Now, the powder that they sell; is that for glass? I guess what I'm trying to get at is do the Chinese in the U.S. market sell to any brick and tile customers?

MR. BOURDON: I am aware, I think, of some Chinese material that has been sold to brick and tile customers primarily on the West Coast.

MS. DeFILIPPO: Okay. Any information that you may have, if you could put it in your brief, that would be helpful. And this is probably also something better put

into your brief. Is what CPC sells to the brick and tile producers, is it all the Micro-Flo product, or do you have some non-Micro-Flo barium carbonate that goes to that market segment? And you may want to save that. I don't know.

MR. BOURDON: Yes. I would like to save that for the post-conference brief, too.

MS. DeFILIPPO: Okay. There was a lot of discussion this morning about price trends in either of the markets, and I guess I was wondering is there a connection, or is there any sort of link between the two? Do prices, when you see declining trends in the glass industry, do you see any lowering, maybe not as much, but is there a connection between those two markets?

MR. BOURDON: To clarify your question, between the two --

MS. DeFILIPPO: For instance, there's prices for a product that are being sold to the glass producers, and then we've talked about prices in the brick and tile market segment, and there was a lot of discussion about serious declines in prices in the glass segment, and it was relatively stable. But are you seeing any link between the two? Is there pressure from the glass and tile declines to the brick market, or is it fairly insulated?

MR. BOURDON: The brick and tile market is only insulated from us because of our specialty product for that.

My guess is that you probably would see maybe some price declines in just plain powdered materials similar to the calcine.

MR. PRICE: Let me just add that I think in our questionnaire response -- I don't have it right in front of me now, but I believe when you look at the pricing data for the two products on a quarterly basis, there is not much correlation from quarter to quarter, and particularly if you look at what's happened to powder in the most recent periods and compare that to what's happened to the granular in the most recent period. We were delighted that you collected the information that way. I think that pricing information will be very interesting.

MS. DeFILIPPO: Sort of following along that line, we had some discussion this morning -- I think Mr. Fischer asked some questions on sort of long-term relationships, and I think it was stated that pricing tends to be on a contract basis, and I thought there was some hint at annual. To the extent you can give a little information here or in your brief, what I was trying to get at was are prices fixed for a set time, or do you have changes within a given contract period based on current market conditions?

MR. BOURDON: Yes. I think we'll give you some info in the post-conference brief, but just in general, most contracts are done on an annual basis, --

MS. DeFILIPPO: Okay.

MR. BOURDON: -- sometimes more than one year. In cases where there is, you know, sometimes more than one year, there is usually the opportunity for a pricing impact at the end of the year or meter release clauses in contracts.

MS. DeFILIPPO: In your post-conference brief, if you could discuss any instances or kind of give some information on how often if you've had to renegotiate or actually change the price subsequent to a meter release, that would actually be helpful.

This morning you presented some information on demand trends in the glass industry, and I think you had commented that there had been some increases, and I wondered if that was also true for the brick and tile, or what has been happening in that market segment in terms of demand?

MR. BOURDON: It's been fairly stable demand. It follows pretty much the construction industry, the brick and tile, but, no, there has not been anything significant.

MS. DeFILIPPO: Two other quick questions. Mr. Mauldin, you stated that there were no substitutes for the barium carbonate in the TV glass producers, and you talked about it being used with some other products. I think it was strontium. Can the producers vary the percentage that they use of either of the barium carbonate, or is there a

fairly fixed percentage that they generally will use?

MR. MAULDIN: Right now it's fairly fixed, but over the course of years it has varied some. You'll remember I mentioned something about historically lead had been used before. In those days, barium carbonate was in the two to three or four percent range. You may recall from the numbers I mentioned to you earlier that maybe eight pounds out of 100 pounds would be barium now. So that percentage is increased. The composition percentage has increased over the course of a number of years with the elimination of lead in that face plate. But to answer your question, there is some latitude, but the consistency in a furnace operation is very important to glass people. They absolutely really don't want anything to vary. They don't even want the impurities to vary. They want everything to be the same all the time.

MS. DeFILIPPO: Okay. That's helpful. One last question, Mr. Bourdon. You were discussing some price levels in terms of undercutting or underselling by the Chinese, and you gave three different examples of a $160 difference in the East, $160 in the Midwest, and I think it was around $300 in the West, and I was just curious if there was any reason for the difference between $160 and $300. Does geography play a role in that? What's the reason that there is that much of a difference?

MR. BOURDON: Yes. Obviously, freight and geography does play a role in that. However, I think we can give you some details.

MS. DeFILIPPO: Okay. So would those be delivered prices? Those prices that you're talking about would include transportation.

MR. BOURDON: Those numbers that I gave you are based on our delivered price versus the delivered price of the competitor.

MS. DeFILIPPO: Great. Thank you very much, and I look forward to your post-conference brief.

MR. FEATHERSTONE: Mr. Greenblatt?

MR. GREENBLATT: Hi. I'm Jack Greenblatt, the industry-commodity analyst on the case. You mentioned about the qualification process, and you seemed to say it's not a very stringent or -- I would appreciate any further information on that, and, in particular, any information about the commercial qualification processes, particularly what are the qualifications -- certainly I would include impurities -- what are the maximum impurity levels? Anything else, the properties for the granular, the properties for any powdery material that might be physical as well.

You indicated that the PRC is not deeply involved in the bricks and tiles area. Can you provide any reason,

explanation? Are there any such things as patents are involved or special factors that might hinder them? Obviously, the question of the degree of technology and sophistication, if that would be a factor.

You also mentioned about, and, again, if some of this material is material that you are already including in some other section, or it may be in the questionnaire response, you can also simply say look in the questionnaire response.

The impact of environmental regulations; you mentioned the impact of natural gas price increases. Again, that would be something that we would be interested in. Again, if that is in some other area, then please so indicate.

One thing I also would like to see about in terms of the manufacturing process and the various differences for this and that and so on, I thought one neat way might be to say, let "A" be the basic process and then "B" be this is what I need to do this, and this is how much I would need to make this product, and what would be the difference in production costs, both quantitatively and as a percentage, to go for the various products?

You mentioned about the differences in the production process in the PRC compared to that in the domestic. Are there any differences at all that that

differences in production process might have on the quality of the process, on its limitations, and so on?

And then, in general, if you could mention about the competitive advantages and disadvantages of the United States and the PRC, and I'm thinking both technical and economic, and simply compare them. What are the advantages? What are the disadvantages?

You mentioned and talked about the issue of demand, and we had some questions, so I thought it might be a very good idea to have an overview about barium carbonate demand trends, both in the United States and worldwide. And then if there were some particular areas of interest, then maybe we can fill that in.

Also, any differences -- there obviously was an investigation a while back. Have there been any changes particularly with regard to the feeling about the ability of the PRC to produce certain products? Anything on that area, that would be helpful.

All right. And then we went into the issue of production costs, and I would be wondering if you could estimate what the production costs in the PRC would be relative to that of the United States and indicate the basis of your estimate, the grand total, with some kind of analysis about the margins of error. Obviously, we're different societies and so on.

Okay. Well, thank you, and I have no further questions.

MR. FEATHERSTONE: Mr. Deyman.

MR. DEYMAN: George Deyman, Office of Investigations. To what extent are there overlapping uses in the powdered and the granular product, if any? The granular is used pretty much only for glass, as I understand it, and the powdered is used in the brick and tile. Is that correct?

MR. MAULDIN: Yes. That's true.

MR. DEYMAN: Do you have many sales?

MR. MAULDIN: If you remember, we talked about the TV industry. We first talked about the glass industry as a whole, and we sort of subdivided that into the TV glass, which is the vast majority, and then other glass; shall we say miscellaneous glasses? The TV glass granular is used almost exclusively because of its flow characteristics, its flow properties. In the other arena, the other glass area, both granular and powdered are used, and they are rather interchangeable in many of the processes at that point.

And then the second major segment that we talked about was the brick and tile area, and that's primarily the powdered area at that point.

MR. DEYMAN: Primarily but not exclusively, I imagine, brick and tile. Is there some granular sold to

brick and tile?

MR. BOURDON: No, not that we're aware of.

MR. DEYMAN: Do you keep separate financial data, income and loss data, for the granular products as opposed to the powdered product?

MR. MAULDIN: We keep what we call "unit cost data" on the difference between the two. They are processed a little different, and, hence, on the lower end, or in what we would like to call the variable cost end of it, we do look at that a little differently.

MR. DEYMAN: Okay. Is strontium carbonate a substitute for barium carbonate, especially in TV glass production, and is strontium carbonate in any way affecting the demand for barium carbonate?

MR. MAULDIN: Strontium carbonate is really not a direct substitute. Just to give you just a little history, if I may, in the days of black and white TV only barium carbonate was used exclusively. Strontium carbonate was not used. About 1969 when color TVs came out, the push was on to add strontium as an addendum to barium, not as a substitute but as an addendum to barium, along with other things, because primarily of the extremely high voltages that are required in a color TV set, at least at that time, versus a black and white set. But to say it is a substitute is absolutely not correct. It's not a substitute; it's an

addendum. Barium is added at somewhere around eight pounds per 100 pounds. You remember also, strontium carbonate is somewhere in the same magnitude in that glass. So the combination of barium and strontium is roughly 16, 20 percent of the weight consistency of the face plate that you're looking through when you look through a TV's cathode ray tube.

MR. DEYMAN: Do you produce any strontium carbonate?

MR. MAULDIN: Yes, sir. We do. We sure do.

MR. DEYMAN: Do you negotiate your prices for strontium carbonate at the same time and together with the prices for barium carbonate?

MR. BOURDON: Yes. Sometimes we do, particularly the timing at a television glass bid since they buy both. The timings would be around the same, but they are negotiated separately.

MR. DEYMAN: In Exhibit 4 of your October 16 response to the questions of the Commerce Department, you presented a press clipping. It was from 1998, but it indicated that production of carbonate, and I suppose that means barium carbonate, in China was 400,000 to 500,000 tons but that consumption in China was 1.3 million to 1.4 million tons. Is that true, and if so, is China, then, a net importer of barium carbonate?

MR. MAULDIN: Oh, heavens no. Absolutely not. I'm not sure what that article said, but that is extremely wrong.

MR. DEYMAN: That's what it said. If you could address that.

MR. WOOD: This is Chris Wood. We'll address that in our post-conference brief, and we'll provide you with some more specific figures that relate to barium.

MR. DEYMAN: Based on official import statistics, the unit value of imports of barium carbonate from China decreased substantially, as you said earlier, in January to June of this year compared with the unit value in January to June of last year and of other years. But in your October 16 response to the Commerce Department questions you questioned whether the value of the landed, duty-paid imports of barium carbonate from China, as reported in the official statistics, was correctly reported and whether, in fact, the import data are correct at all. Do you recommend that we use the official statistics to measure imports in our staff report, or do you believe that data from our importers' questionnaires would be preferable.

MR. WOOD: Well, our discussions with the Commerce Department were actually based on the fact that we have personal knowledge of a fair number of offers to sell the same product in the United States at substantially lower

numbers than show up in the import statistics. And we understand that as a general matter it's difficult to go behind the import statistics. They are what they are, and there is a range of values there, and some of them look about right to us, and some of them don't, but at the moment that's the best data that we have.

So we're using the import statistics to show two things which we think are true also independent of what the actual values are. One is that, as you mentioned, there is a dramatic decline, not only in the past year but over the last several years, and the second is that the import values are dramatically different for the exact same product than are coming in from anywhere else, any of the other sources, and whether those import numbers are exactly right or off by $10 a ton, neither one of those two things is going to change.

MR. DEYMAN: In fact, I understand that the official import statistics indicate that some barium carbonate is imported from Hong Kong. Do you know of any producers of barium carbonate in Hong Kong, and is it your contention that any such imports are in reality transshipments from China?

MR. MAULDIN: We're not aware of a producer in Hong Kong. We would only speculate that that is material that's coming from other sources in China being shipped from

Hong Kong.

MR. DEYMAN: Okay. And my last question is, you mentioned earlier that you have some sales of barium carbonate to brick and tile producers on the West Coast. I guess you said that the Chinese were selling to one or more brick and tile producers on the West Coast. Do you also sell on the West Coast? Is it nationwide pretty much, your sales marketing?

MR. BOURDON: I'll let Bill Emberson, our product manager, answer that question.

MR. EMBERSON: Yes. That's correct.

MR. DEYMAN: Do you find --

MR. BOURDON: Let me just add to that. We have traditionally sold very little on the West Coast because of the strong price competition of the Chinese imports, which tend to come in the West Coast. So the accounts that we did have on the West Coast, which probably in our post-conference briefing, that we've lost in the last three or four years, there are some due to price competition.

MR. DEYMAN: And could you confirm that the TV glass manufacturers are pretty much, if not all, in the eastern part of the United States? Is that right?

MR. BOURDON: Yes. Ohio and Pennsylvania.

MR. DEYMAN: But you do find import competition from China even there.

MR. BOURDON: Oh, yes, yes.

MR. DEYMAN: Okay. I have no further questions. Thank you.

MR. FISCHER: Fred Fischer, Office of Investigations. Three brief questions. Mr. Mauldin, there was a discussion about the weight that barium carbonate is of these TV glass panels, 16 to 20 percent. What about the cost, the relative cost of the final product, the output of the TV glass panel to the input that barium carbonate is?

MR. MAULDIN: Okay. This may give you an idea. I think this is what you're seeking. Of a TV set, what's really the cost of the barium carbonate? It's less than two dollars per set.

MR. FISCHER: So of not the set but the glass panel itself there is only barium carbonate in that product, but I guess the producers would sell that, or if it's an integrated part producer that produces the entire TV set, of just that glass panel what would your estimate be that the barium carbonate would make of --

MR. MAULDIN: You're maybe asking what percentage of the cost of just that is barium carbonate? Is that what you're saying?

MR. FISCHER: Right. Correct.

MR. MAULDIN: Is it substantial?

MR. FISCHER: Correct.

MR. MAULDIN: I would only speculate. We can certainly provide that number for you.

MR. FISCHER: To the extent that you can provide it in a post-conference brief --

MR. MAULDIN: If we may do that, we can do a little, if you will, calculations and give you that number, --

MR. FISCHER: That's fine.

MR. MAULDIN: -- if that would be okay.

MR. FISCHER: That's fine. To the extent that there are cost differences between the granular product and the powder product, both the generic powder product and then the Micro-Flo product, if you could provide more information in a post-conference brief on that, that would be appreciated.

And then my final question has to do with the Micro-Flo product and the technical support and the field equipment that is leased, and you can provide a response in your post-conference brief. I guess, how is the customer charged for that? Is that built into the price per pound? Is there an additional fee, a monthly fee or a time fee, for the leased equipment and/or the technical support? Are you aware of the Chinese importers or others providing any other technical support for their products or leased equipment, that sort of thing?

MR. BOURDON: Because of the detail involved in that, we would like to address it in the post --

MR. FISCHER: I look forward to your post-conference brief. Thank you very much.

MR. FEATHERSTONE: Thank you all again for both your testimony and responses to the questions and bearing with us during that interruption. We'll now take about an eight- or nine-minute break and try to resume by 20 minutes until on the clock in the back of the room. Thank you.

(Whereupon, at 11:32 a.m., a brief recess was taken.)

MR. FEATHERSTONE: Can we resume this conference, please? Welcome, Mr. Lee. Please proceed.

MR. LEE: Good morning. My name is Adams Lee of White & Case. I'm here today with my colleague, Jonathan Seiger of White & Case. Today, we are representing respondents BassTech International, a U.S. importer of barium carbonate from China and, also, Quingdao Red Star Chemical Group, a producer and exporter of barium carbonate from China.

Today -- this case is actually a fairly straightforward case. We are not raising any challenges to the like product. We are basically asking the Commission to take a look at the volume, price, impact, and take a look at the relevant conditions of competition. Today, I think the

presentation by CPC has crossed over many important details about the conditions of cost and relevant to the T.V. glass industry and also to the brick and tile industry.

We have two industry experts, who are very familiar, not only with just the industry, but also with CPC. So without any further ado, I would like to introduce Ben Gutmann of BassTech International.

MR. GUTMANN: Good morning. My name is Ben Gutmann. I'm CEO and Managing Director of BassTech International. With me today is Alan Chalup, Vice President of BassTech.

BassTech International is based in Englewood, New Jersey and was formed in 1994. We deal with specialty products, primarily specialty chemicals and plastic raw materials. We sell our products primarily to customers in North America, with the smaller share of our sales going to European customers. Barium carbonate is just one of the specialty chemicals that we market.

Since BassTech began to import and market barium carbonate that is produced and exported by Red Star, we have served as the manufacturer's representative for Red Star's barium carbonate. We purchase barium carbonate for Red Star and then we sell that material to end-user customers, primarily producers of specialty glass and secondarily to producers of structural clay, which includes brick, tile,

and pipe.

Today, Alan and I would like to explain why we believe CPC's antidumping position against Chinese barium carbonate has no merit and should be rejected by the Commission. I'd first like to discuss a few background points regarding the history of the relationship between CPC, BassTech, and Red Star. Alan will then discuss some of the dominant factors that are driving the barium carbonate market.

The barium carbonate market has only a handful of producers and a slightly larger number of major purchasers in the entire world. On the production side, the major players are CPC in the United States, Red Star and Bin Jing factory in China, and Solvay in Europe. These producers supply barium carbonate primarily to producers of television glass, which is used to produce cathode-ray picture tubes, which, in turn, are used in T.V. sets and computer monitors.

Given the small number of participants in this barium carbonate market, we are very familiar with CPC and CPC is, in turn, very familiar with Red Star. Let me give you some details about the history of our relationship with CPC, because I think it is relevant to how the Commission should use this investigation.

Although CPC has filed this petition seeking antidumping duties against Chinese barium carbonate, CPC in

1999 and 2000 was the purchaser of significant quantities of Chinese barium carbonate from us. Indeed, CPC purchased so much Red Star barium carbonate that CPC was our largest single barium carbonate customer in 1999 and 2000. We do not know what CPC did after it purchased Red Star barium carbonate from us, but it is significant that CPC is not an end user that would consume barium carbonate production in the production of some other product. We guess that CPC probably further processed the Red Star material and/or resold it to some of its customers as is.

We note that CPC's purchases of Red Star barium carbonate from us in 1999 and 2000 were at low prices, because CPC demanded that we provide co-producer discounts. Our sales of Chinese barium carbonate to CPC were at lower prices than our sales of Chinese barium carbonate to other customers during the same time frame. CPC never complained about our prices being too low. If anything, CPC complained that our prices were too high.

In 1999, CPC and our company BassTech discussed and explored the possibility of entering an agreement whereby CPC would assist the marketing of Red Star barium carbonate in the United States and Red Star would assist its marketing of CPC's barium carbonate in Asia. These discussions were initiated because both sides recognized the natural competitive advantage of the other. Red Star is

able to produce high-quality barium carbonate very efficiently, because it is located right near a source for high-quality barite ore. Similarly, CPC's Mexican subsidiary is able to efficiently produce high-quality strontium carbonate.

Since both barium carbonate and strontium carbonate are sold in combination with each to television glass producers and are used in combination, CPC and BassTech wanted to explore whether there would be opportunities to work together and take advantage of the other party's natural market strength. CPC visited the Red Star facility several times during the period of investigation. Discussions with CPC and BassTech, however, on this Martin deal did not reach fruition.

After the discussions with CPC ended, BassTech began to negotiate with the Mexican producer CMV, which produced both barium carbonate and strontium carbonate. As a result of our agreement, CMV agreed to stop producing barium carbonate. In exchange, CMV agreed to receive a commission for any sales that we made of Red Star barium carbonate to any of their former U.S. customers.

Although we previously had sold to Techniglass, Red Star barium carbonate, as a minority supplier, because of its agreement with CMV, we were able to increase our sales to Techniglass in 2002 by replacing the volume that

had been sold by CMV. CMV, also, had other barium carbonate customers in the U.S. Specifically, CMV used to sell to Corning, which negotiated barium carbonate purchases for both American Video Glass and Corning Hsia Video Products. We did not land that Corning business. Who did? CPC. Thus, although we increased our sales volume to Techniglass after CMV stopped producing, it appears that our agreement with CMV also allowed CPC to increase their market share to Corning.

This antidumping petition appears to have been triggered by CPC's concerns that we reached an agreement with CMV and not CPC to market Red Star material. As they're going through a long courting period with us in 1999 through 2001, it appears that CPC has filed its case out of frustration that we selected CMV as our marketing partner.

Given how small this industry is, everyone has a pretty good idea of who is buying and selling barium carbonate to each other. Because we are the dominant supplier of barium carbonate from China, I am having trouble figuring out how CPC can allege that they have lost significant market share to Chinese imports. We have examined our sales and aside from the additional Techniglass business, gain from our agreement with CMV, we see no basis for CPC's claim. If you understand how the supply and demand forces work in this particular market, you quickly

realize that there is absolutely no merit whatsoever to CPC's claim that they are materially injured or threatened with injury, because of Chinese barium carbonate imports.

I will now turn the floor over to Alan, who will explain some of the main factors that shape the supply and demand forces of the barium carbonate market.

MR. CHALUP: Thank you, Ben. Thank you, ladies and gentlemen of the panel. My name is Alan Chalup. I am Vice President of BassTech International and am responsible for sales and marketing for barium carbonate. Today, I'd like to discuss with you about the -- some points about the U.S. barium carbonate market that CPC, this morning, has ignored or overlooked.

One of the most important features about the barium carbonate market is the fact that our major customer is a T.V. glass producer. All T.V. glass producers are all part of multinational corporations that are in the ultra competitive T.V. set market. The United States has four producers of T.V. glass: Techniglass in Pittsburgh, Pennsylvania; Corning Hsia Video Products in State College, Pennsylvania; American Video Glass in Mount Pleasant, Pennsylvania; and Thompson Consumer Electronics in Circleville, Ohio.

Techniglass is part of a Japanese company called NEG, Nippon Electric Glass. NEG has other T.V. glass

facilities in Japan, China, Korea, Malaysia, and the U.K. Corning Hsia Video Glass is a joint venture between Corning and Hsia Glass. Hsia Glass has many affiliated T.V. glass producers in Korea, Thailand, Singapore, and also China. American Video Glass is a joint venture between Corning and Sony. All their glass production goes to Sony to produce picture tubes for T.V. sets. Thompson Consumer Electronics is a subsidiary of Thompson Multimedia, who has two other video glass factories in Poland and France. All their glass production is captively used to make the trade name product in LTVs, probably Thompson, RCA, Proscan and GE, you see in the stores.

The fact that the main barium carbonate customers are multinational corporations involved in multiple layers of the T.V. set industry is the dominant factor in this market. These multinationals set the demand conditions that control our barium carbonate market. Because the T.V. industry is fiercely competitive, there is an intense pressure for all the T.V. glass factories to keep their costs down. This, in turn, translates into intense pressures on all raw material suppliers of these T.V. glass factories.

T.V. glass, the actual panel, the glass, itself, is a commodity and traded globally. T.V. glass business is awarded to the producer, who can offer the lowest prices

worldwide. We are facing the same pressure to lower barium carbonate prices that is being exerted on supplies of other raw materials, such as strontium carbonate, titanium dioxide, potassium nitrite, other materials that go into the composition of the glass. This pressure to reduce cost is increased even further since the economic downturn in 2001.

There has been another recent development from the T.V. glass manufactures that have affected demand for barium carbonate. T.V. glass manufacturers have begun to increase the amount of collet that they use in their production.

Now, collet is finished glass that does not quite meet specification and cannot be sold as a final product from the factory. T.V. glass manufacturers are able to recycle that collet and reintroduce it back into the production line. Although it is not the most efficient way of producing glass, T.V. glass producers inevitably have a certain volume of production that must be treated as collet, a certain percentage of whatever they make is off specification and they can recycle it.

In the past, T.V. glass manufactures have used only a small portion of collet in their production process. Recently, however, certain T.V. glass manufacturers have been challenged by their parent companies to reduce the amount of collet they have accumulated and is now an idle asset. So, they have increased the percentage of collet

used in the production process. One T.V. glass producer, representative of the industry, I think, now, for instance, used to run about 30 percent collet. But, now, we have heard that the collet ratio is as high as 80 percent for the feedstock and production.

This increased collet ratio affects demand for barium carbonate and the other raw materials for glass production. The collet already has all the raw materials needed to produce the glass in the proper proportions of percentages. It's a single component raw material package that can be inputted into the process. So rather than buy new volumes of barium carbonate and other batch materials, T.V. glass producers are using more collet, which helps them lower their overall unit cost and reduce their demand for barium carbonate.

Now, the next subject, I've just got the volume. With regard to the volume of imports, the majority of U.S. imports of barium carbonate has come from three countries: China, Mexico, and Germany. Total import volumes in 1999 and 2000 were stable at about 28,000 short tons. Total import volumes declined in 2001 to approximately 20,000 short tons and have declined further in 2002 to 19,000 short tons on an annualized basis, because T.V. glass producer's demand for barium carbonate has also declined.

This decline in demand has occurred for three

primary reasons. The first is the general economic downturn. Second, T.V. glass producers are increasing the collet ratios, which cuts into their demand for raw materials such as barium carbonate. And third, T.V. glass producers are switching from high cost production sites to lower cost production sites globally. In the future, demand will likely further decline, because consumers are switching from the traditional CRT T.V.s, like you have in your house or your computer, to the newer screen types, such as flat screen T.V.s or projection T.V.s, both of which do not require barium carbonate.

If you look just at imports from China and Mexico, you will see that the volume trends have remained stable and correspond with the total import volume trend. The volume of imports from China and Mexico was about 20,000 short tons in 1999 and 2000, and declined to about 15,000 short tons in 2001. The interim 2001 and 2002 combined import volumes from China and Mexico remain constant at about 9,000 tons.

The key thing you'll notice about the China and Mexico import volumes is that although China's volume increased during the first half of 2002, Mexico's volume decreased by -- decreased by about the same amount in the same period of time. Any increase in Chinese import volumes was merely replacing Mexican import volumes.

Now, why did this happen? BassTech and Red Star

had entered into an agreement with CMV, the Mexican producer of barium carbonate, whereby CMV agreed to end its barium carbonate production. Instead, CMV agreed to receive a commission from BassTech, the sales of Red Star barium carbonate made to CMV's former customers. Techniglass was the only former CMV customer to switch to BassTech, where we are able to sell the Red Star material. Corning, which negotiates the Corning Hsia and American Video Glass, was another ex-CMV's barium carbonate customer, but we have not made any sales of Red Star material to Corning, either divisions. They had not previously qualified our material before the agreement and so far have not even agreed to try our material for commercial evaluation.

We have learned that CPC picked up Corning's barium carbonate and strontium carbonate business under a long-term sales agreement that was previously supplied by CMV. CPC is now the exclusive supplier of both barium carbonate and strontium carbonate to Corning Hsia Video Glass and American Video Glass. This is significant, because CPC was already the exclusive supplier of barium carbonate and strontium carbonate to Thompson Consumer Electronics.

Techniglass is the only T.V. glass producer in the U.S. that purchases our Red Star barium carbonate. Techniglass purchases from the three major barium carbonate

producers: CPC; Solvay, the European producer, and us. Techniglass was -- Techniglass has informed us that it seeks to maintain a diversified supply base and that any additional volume that we are providing was to replace volume previously supplied by CMV and was not cutting into any volume previously supplied by CPC. If CPC lost any volume of sales to Techniglass, it was lost to Solvay, the European supplier, who is not subject to this antidumping investigation.

Thus, the big increase in Chinese imports in 2002 did not replace any volume previously held by CPC; but, instead, it replaced volume that was previously supplied to Techniglass by the Mexican producer CMV. CPC was never in a position to be entitled to Techniglass's business previously held by CMV. Even if Techniglass didn't pick BassTech and Red Star, Techniglass probably would have picked Solvay, the European producer, because we've learned that their price is -- their material is priced even below ours.

In the structural clay market segment, as CPC admits, our Chinese material does not compete to any significant degree with CPC's products. This is because CPC sells a special type of barium carbonate that is produced using a spray dry technique. This patented microflow material is different from the calcine granular or powder product that we offer.

We are able to sell our product to the structural clay manufacturers, who are located primarily in the western United States. These customers use different handling equipment that is not depended on running CPC's microflow products and cannot afford the significant transportation charges for shipping material from Cartersville, Georgia to the west coast.

We do not see any barium carbonate -- we do not sell any barium carbonate to the remaining 80 to 85 percent of the structural clay manufacturers, who are mainly located in the eastern half of the United States. These structural clay manufacturers are locked into using CPC's material.

Unlike the T.V. glass producers, the structural clay manufacturers do not experience global pricing pressures. Just because CPC gets a premium for the spray dry product for which no competitive product exists, does not mean that they are able or entitled to pass on higher prices to the T.V. glass industry.

In short, the volume of Chinese barium carbonate imports has not had any direct adverse impact on CPC. In the T.V. glass segment, our Red Star imports replace CMV imports from Mexico to Techniglass and did not affect CPC shipments to Techniglass in any way. Indeed, CPC actually gained CMV's market share of Corning Hsia Video Glass. In the smaller structural clay segment, our imports go to the

west coast customers, who CPC cannot supply, because of high transportation costs.

Now, about price. Turning to price, it is important for the Commission not to rely on the average unit values derived from the U.S. import statistics, because the reality of the U.S. barium carbonate market is not reflected in these average unit values. The average unit values of Chinese imports reflect the FOB port of entry price between BassTech and Red Star only. We are a distributor of Red Star material. The FOB port of entry does not reflect the actual market price that the T.V. glass or structural clay purchaser is paying.

The sales price to the end customer is where our product competes with products supplied by CPC, Solvay, and others. If you look at actual end user prices in the T.V. glass market, you will see that our price of Red Star material is comparable to the price offered for barium carbonate worldwide. In light of market conditions for T.V. glass producers worldwide, we are not underselling them.

In the U.S. market for specialty glass, our prices was in the market range and is not that different from the prices offered by CPC or Solvay. Indeed, we have seen Solvay's price undercutting our price, particularly after the antidumping order on the German barium carbonate was revoked during 1998. Solvay has aggressively priced their

product to try to recapture U.S. market share. I don't understand why CPC has singled out Chinese imports, while completely ignoring Solvay.

Prices of barium carbonate have gone down in the T.V. glass market segment. If you go to Best Buy, you know, Circuit City, you can see that a 25-inch T.V. can now -- sells for maybe $200. You know that there is incredible market pressure on T.V. glass, that T.V. producers are trying to reduce costs in order to survive at these levels of price sales.

Assemblers are moving their option from higher cost sites in the United States, Europe, and Japan, to lower cost sites in Mexico, Eastern Europe, China, and Southeast Asia. This competition among the T.V. producers directly affects the barium carbonate market, because T.V. picture tube produces are pressuring T.V. glass producers to lower their prices and, in turn, T.V. glass producers are pressuring their raw material suppliers to also lower prices. All T.V. glass raw materials have seen declining prices, not just barium carbonate, but also strontium carbonate, titanium dioxide, potassium nitrite, every other product that goes into the glass, all because every T.V. glass producer is pushing all their material suppliers to reduce costs.

In light of the heavy competitive pressure in the

T.V. glass, picture tube, and finished T.V. markets, it is unreasonable for CPC to argue that it should be able to get higher prices from T.V. glass customers just because they are able to get higher prices from the structural clay industry. This is not a fair comparison. CPC has a unique technology to produce microflow product that structural clay manufacturers have made significant investment and are committed to using. These structural clay customers can only get their preferred spray dry material from CPC. Red Star does not produce a spray dry material and there is no viable market alternative for the structural clay customers. Thus, there is no competition in this segment of the industry.

In addition to the factors that affect barium carbonate prices, the Commission should also consider relevant supply factors. The raw material for making barium carbonate is barite ores, which was explained earlier. China has by far the largest and best quality barite reserves worldwide and, therefore, China is the center for production of all barium chemicals.

It is well known that China has a high purity barium ore. In contrast, we believe that barite reserves in Cartersville, Georgia have a purity level of only maybe 20 to 30 percent. The purity level of the barite ore is significant, because the lower quality barite ore must be

beneficiated or processed, in order to achieve the desired specifications for further production into barium carbonate. Higher quality barite ore requires less beneficiation of processing. Beneficiation requires greater volumes of barite ore, additional processing time, and additional energy costs, that increase the overall cost of the barium carbonate produced.

The higher quality of Chinese barite ore gives Red Star a significant advantage over CPC, regardless of whether CPC uses lower quality barite ore from Cartersville, Georgia, which requires significant beneficiation, or import higher quality barite ore from China. In fact, in 1999 and 2000, when we were trying to develop business with CPC, they told us they were purchasing the full annual requirement of barite ore, estimated at about 55,000 short tons, direct from China.

With regard to impact on the U.S. industry, there is no way that imports of barium -- of Red Star barium carbonate can be blamed for causing a decline in the financial performance claimed by CPC. CPC admits that natural gas costs increased in 2000 and that barium carbonate production costs are highly depended on the variable energy costs.

I can understand that CPC would like to pass on its higher natural gas prices to its customers, but I don't

know how CPC can claim that it is somehow entitled to pass on those costs regardless of whatever the market would bear. In fact, the T.V. glass industry also uses significant quantities of natural gas and was unable to pass its increased costs to its customers. At any rate, Red Star imports have nothing to do with CPC's natural gas costs.

In addition to natural gas costs, the Commission should closely examine CPC's barite ore costs. CPC is at a huge natural disadvantage compared to Red Star, because of the barite ore it must use. Either CPC has to use lower quality barite ore mined locally that requires significant and costly processing, or it must import higher quality barite ore from China. Either option necessarily results in a higher cost structure than that faced by Red Star. Red Star moved their factory to the location of the barite mine and this committed Red Star to lower dramatically its production costs.

The significance of barite ore quality and the source of barite ore cannot be overstated. Higher quality barite ore allows you to produce barium carbonate more effectively, in that the yield of finished product is higher. China has the best quality of barite ore worldwide. So, naturally, it is the leader in barium carbonate and barium chemical production.

Strontium carbonate, which is another raw material

import used in T.V. glass, follows the same principle. The best quality cellecite, which is the ore used to produce strontium carbonate, is located in Mexico. That is why CPC, which has a subsidiary as one of the leading producers in Mexico, is a major supplier of strontium carbonate in the U.S. market and exporter to other global markets. Although China has cellecite and produces strontium carbonate, none is exported to the United States and most is consumed within Asia. Red Star is disadvantaged in the strontium carbonate market, because the Chinese reserves of cellecite are inefficient in terms of quality and volume, relative to the other global producers. In the same way, CPC is naturally disadvantaged in the barium carbonate market, because the U.S. barite ore is insufficient in terms of quality and/or volume relative to the Chinese producers.

Finally, CPC's claim that it has lost sales and revenues due to the imports from China, I say that from reviewing our sales during the POI, we do not believe Red Star barium carbonate can be blamed for taking away any significant CPC sales or revenue. As noted above, we've increased our sales to Techniglass in the second quarter of 2002, but this replaced only those shipments of CMV, the Mexican producer. Our sales had no effect on CPC's volume or sales price.

Any allegation involving Techniglass would also

have to keep in mind that Solvay is another producer of barium carbonate from Europe, who is the largest global supplier to the T.V. glass industry and they are priced below both CPC and us. We have not made any sales to any other T.V. glass producer in the United States. We have not been qualified by Thompson or Corning. So, it's unrealistic that our price was used to reduce CPC's price.

In the structural clay market, we do not compete directly with CPC, because CPC has developed the spray dry product that is preferred by those customers. None of our handful of structural clay customers on the west coast was taken away from CPC, because they never would have accepted the transportation cost that would have increased CPC's price at commercially unrealistic levels.

In summary, the only increase in the volume of Chinese imports occurred in the first half of 2002 and that increased volume replaced non-subject imports from Mexico and did not adversely affect CPC's volume. The Commission should not use the average unit volumes from the U.S. import statistics for considering price affects of the imports. The relevant prices of Red Star barium carbonate are the prices in which Red Star barium carbonate actually competes with the CPC product, which is at the T.V. glass customer level. When prices are compared at that level, the record will show that Red Star's product does not significantly

undersell CPC's prices. Any adverse impact alleged by CPC has been caused by higher raw material and energy costs and market conditions that are totally unrelated to Red Star.

Turning to the issue of threat of injury, we feel that there are several reasons why Chinese barium carbonate imports do not pose a threat to CPC. First, the slower Chinese barium carbonate is effectively limited by the product quality requirement of the T.V. glass purchasers, which are not related to price. Regardless of how low the price offered, T.V. glass producers, such as Thompson and Corning, are not going to accept barium carbonate or any other raw material, unless they consider one a qualified supplier.

T.V. glass producers impose very high quality standards and rigorous qualification processes for their material suppliers, because the consequences for running an unsatisfactory material are significant. T.V. glass manufactures produce T.V. glass in very big glass tanks. All raw materials are stored and then batched for production. The raw materials go into the furnace, where it may take upwards of one week to exit out the other end as glass. Therefore, any unsatisfactory material can cause production problems for weeks and loss of production. If a raw material has quality problems, the T.V. glass producer has ruined at least a week's worth of production, because

they must wait that long before the problem material works its way through the tanks. Not only do they have the finished -- not only do they not have the finished T.V. glass that they wanted to produce, but they, also, have used up significant raw materials and lost energy costs during production.

In short, qualification is critical, because running bad material can cause considerable losses and down time to the T.V. glass factories. Thus, T.V. glass manufacturers tend to be very conservative in the material supplier qualifications, in order to be absolutely sure that every material purchased will be consistent. If a manufacturer already has an established supplier that is providing a material that has not caused any problems, it is very difficult to get your foot in the door and get them to try a new untested product. Video glass producers consider testing to be very risky and extremely costly.

I would say that the qualification process can be longer than 10 years, because that is how long we have been trying to get Thompson and Corning to evaluate Red Star's barium carbonate and we have still not been able to get a commercial trial. Although we sell other materials to Thompson and Corning and Techniglass, for that matter, we have been qualified to sell barium carbonate only at Techniglass.

All this goes to show that in this market, the supplier with the lower price does not always get the sell. Contrary to CPC's incorrect claim about commodities, price is not the main criteria in purchasing decisions for barium carbonate. At this point in time, because no other T.V. glass producer has ever begun to run commercial trials of Red Star's -- you know, Red Star BassTech's material, there is no likelihood that we will make sales to Thompson and Corning in the imminent future. Although I have wished and tried for over 10 years to sell to Thompson and Corning, I realistically know that in light of their quality standards and qualification process, I will not be selling to them any time soon in the near future.

The inventories of barium carbonate in the United States poses no threat to CPC, because those inventories held by BassTech are already committed to Techniglass and other customers that buy from us on a long-term contract basis. As CPC acknowledged, barium carbonate sales are typically negotiated through annual contracts with estimated annual required quantities. Moreover, because of the long lead time for delaying shipments from China to the U.S., it is necessary to keep a significant inventory to ensure continuity of supply to our customers. The inventories at the end of June 2002 are committed to our customers on a long-term contractual basis. We are not hedging our

business.

These inventories reflect our efforts to prepare for deliveries to Techniglass and do not reflect an unrealistic buildup of material to supply new customers. These inventories reflect the efficiencies of making fewer, but larger shipments per year from China, to build up inventory, to fulfill our contractual commitments to the customers.

That concludes our testimony. Thank you for the opportunity to come here and present our testimony. We will be glad to answer any questions that the panel may have regarding either our business or the market.

Adams Lee, again. I have a few more comments relating to the issue of threat. Turning to other markets available to Red Star, the vast majority of T.V. glass production worldwide is controlled by Asian T.V. glass producers, namely Nippon Electric Glass, NEG, Hsia Glass, and Samsung Corning. Each of these companies have multiple video glass panel production site around the world, but the majority of those sites are located in Asia. More importantly, the newest video glass production sites are all located in China and Malaysia. This goes to the issue of shifting production to lower cost sites.

This reflects the consensus understanding that China and Southeast Asia will have the highest growth rates

for demand of T.V. sets. This growth rate is estimated to be five to 10 percent; in contrast, the growth rates for European and NAFTA countries are flat or have modest increases of no more than three, four percent.

Res Star's production capacity has increased over the POI, but almost all of that production has been directed to China and Asian markets, as Japan, Korea, Malaysia, and Singapore. This morning, CPC made a big deal about the idea that Red Star is an exporter. It is a nonsensical statement. They are exporting to countries that have a very strong demand. Those shipments of Red Star are not coming to the United States.

Given that T.V. assembly, picture tube production, and T.V. glass production are already in Asia and are increasingly shifting to China and other Southeast Asian markets, there's a high likelihood that Red Star's production capacity will still be committed to these markets, because that is where the demand has been and will be.

U.S. market for Red Star has been a tiny fraction compared to Red Star sales to China and even smaller compared to Red Star sales Asian markets. Given that the overwhelming majority of Red Star's production and sales have been directed to home markets and Asian markets, there is absolutely nothing to support petitioner's claim that Red

Star's increasing capacity and production poses a threat of increased imports to the United States. The threat of shifting exports to the United States is even less credible, given that none of the other U.S. video glass producers has even begun to qualify Red Star's material.

Thank you, very much. That concludes our testimony.

MR. FEATHERSTONE: Thank you, Mr. Lee and, then, Mr. Gutmann, Mr. Chalup, for your presentations. Mr. Goodale?

MR. GOODALE: Good afternoon. My name is Jeff Goodale and I am with the firm of Gardner, Carton & Douglas. I am here with Jim McClurg, President of Seaforth Mineral & Ore Company, Inc., an importer of barium carbonate. We are grateful for the opportunity to appear before the Commission today.

Seaforth urges the Commission to make a negative injury determination. In making its preliminary determination, the Commission should take into account the following important considerations that Mr. McClurg will discuss in greater detail.

To begin with, Chinese produced barium carbonate is not being dumped into the United States. In addition, the Commission should be aware that there is a limited degree of competition between imports from China and

domestically produced barium carbonate. Chinese produced barium carbonate simply cannot be used in certain high end applications. Moreover, while it is true that imports from China have increased in the past year or so, the increase is primarily attributable to the fact that Mexican production of barium carbonate has virtually ceased completely and imports from China simply have replaced imports from Mexico.

Furthermore, to the extent that the petitioner has suffered worsened performance, it results from causes other than subject imports. One such cause is the virtual elimination of production of barite power and barite magnate in the United States. Previously, U.S. producers of these items had been significant purchasers and users of barium carbonate. Thus, the exit of U.S. companies from this business has adversely affected barium carbonate sales.

Another cause is the manufacturing recession that has occurred in the United States, which has been especially severe with respect to technology goods. The recession has resulted in a sharp downturn in demand for barium carbonate.

At this time, Mr. McClurg will provide testimony, in which he will elaborate on these points. Thank you.

MR. MCCLURG: Thank you and good afternoon and thank you for the opportunity to say a few things. And thank you to BassTech for taking most of what I was going to say. But, I'll try to illuminate a few other things. First

of all -- and they did a great job. I think I agree substantially with what they commented on.

Seaforth Mineral is what we call, in addition to being an importer, we're a processor, a packager, and a stocking distributor of different agricultural and industrial minerals and chemicals. We were founded in the mid-'50s and for about 25 years, we were in the mining business. We mined such things as fluoride bar, lead, zinc, and barite. We had mines in Illinois, Kentucky, Idaho, and also controlled a mining company in Mexico.

So, we're familiar with some of the things that are going on with CPC. We've been to China many times. We understand a lot about mining, declining reserves, cost of production. And I think it gives us the ability to understand what's going on right now.

The current focus of Seaforth is defined. Because of our declining reserves, we went out of the mining business. The cost of production just got too high, so we switched our focus to be actually a marketer of minerals and chemicals sourced from around the world. So, currently, we import numerous different products: calcium fluoride, boric acid, boric chemicals, strontium carbonate from Mexico, as well as, of course, barium carbonate. For us, barium carbonate is a fairly small item; but, certainly, in terms of our customers, it's an important -- it's an important

item.

And one of the reasons we're in the business is that we're located in Cleveland, Ohio. We have a processing plant and warehouse in Cleveland. We have another processing plant and warehouse on the Ohio River, in East Liverpool, Ohio, which is near Pittsburgh, conveniently located within 150 miles of substantially all of the consumption of barium carbonate in this country. We, also, operate a warehouse in Baltimore, Maryland, where we bring imports in. We, also, use public warehouses in Savannah; New Orleans; Houston; Oakland, California; and Monterey, Mexico.

Although price for all of our commodities is important, just as it is for everybody in this room -- when you go to the store, you want to get a good price -- but the fact is, all these products require, as was said by BassTech, require qualification; they must do the job; and despite again what CPC commented on, many times they are not interchangeable. Plants are set up to provide different -- take products in a certain way. So, if they want a calcine granular, which CPC produces, that costs more to produce and usually is priced higher, they'll use that. If they can take a compacted granular barium carbonate, which we provide, that cost less to produce and tends to sell for less.

To the extent that we sell barium carbonate, it's to the customers that buy our other products and are located relatively close to our facilities. And, again, we try to source what they want. So, for example, we cannot provide spray dry or microflow material. We can provide in normal powder. It doesn't flow as well, cost less to produce, and tends to be priced less.

In terms of why we're located on the Ohio River, in the middle of the industrial heartland, it's because that's where the business is. I was -- I sympathize with CPC, because some years ago, we had a mine in Idaho. That's a very remote location. We had a mine as close as Illinois. You'd think that sounds pretty close to the industrial heartland, but it was not. It's a rural part of Illinois. It's very hard to get from there to customers. Even Cartersville, Georgia is a tremendous drawback. And they're just sadly, from the standpoint of freight, which I think has been alluded to, freight can be a very big component of the cost and being in Cartersville is a big disadvantage. Being in East Liverpool, Ohio is a great advantage. We can bring material from China by ocean vessel, put it on a barge, bring it on barge to East Liverpool, Ohio, probably less than it cost to ship that same ton from Cartersville to East Liverpool.

So, these are things that are complex. It's hard

in an hour to tell you all the story of different pricing points and components. But, again, these are some things that are important to me.

Now, in terms of why I'd like a negative determination and why Seaforth would like a negative determination, I think the first point and most important point is I don't believe China is dumping. We buy barium carbonate from the Hube Hinjang -- Group. I believe they're the second largest producer in China. I understand and I've been in their plant and their capacity is something over 100,000 tons per year. This compares to 20,000 tons per year for CPC. I think it's fairly rudimentary that if you're five times bigger, you're going to have a lower cost of production and more efficiency.

So, as we look at -- from what BassTech said, the cost of barite is just very nominal. It's right there in China. It's high quality. It's a few bucks a ton to mine. The cost of coal is very low. China is an exporter of coal. The cost of coke, very low. They're an exporter of coke. Limestone, very low price. The key components, very low price. The size of their production, very large. When you're a larger producer, you're going to probably have lower costs.

So, the most important thing to, I think, take away from this meeting is that I don't believe that the

price that we're getting from the Chinese is lower than their production costs. From everything I've been told, and I've been to China six times over the last 12 years and talked with also the producers when they've been over here, they're very careful to price the product to us, very similarly to what they price it to the Japanese and the Koreans, the Malaysians, because they're a lot bigger in terms of purchasers than we are. We're a relatively small purchaser. We're getting a fair price. We're getting a price that allows us with a lot of hard work on our part, in terms of getting it here with a good freight rate.

And then, the other thing, of course, that wasn't mentioned is we'll do things like repackaging, some screening, and of course storage, financing costs. So, first of all, our cost to get it to the customer, as was alluded to by BassTech, is not necessarily the cost of bringing it in FOB in New Orleans. But, the fact is that every component is -- we work hard, every component, to make it cost effective to get to this country. But, FOB China is basically, from everything I can tell, very, very similar or even higher than the cost to the Japanese or Koreans or Malaysians, as it should be, because they're a much larger purchaser.

So, I think that it's safe to say, China has the world's lowest cost. Despite CPC's comments, I think

they're far more efficient, just because of their size. And I think they have to be careful, themselves, to make sure that they price it based on who the purchaser is. So, we're a relatively modest purchaser and our prices, I'm sure, are higher than some of the main people coming from Japan or Korea.

So, the first point is the fact that they're not dumping. And, in fact, I think that they're making a very nice profit. From everything I can tell, they're making a reasonable return on their product.

Number two, again as alluded by BassTech, I think from the most part, the Chinese increase that you've seen has been a replacement from the material from Mexico produced by Mineral Lavanciana, a company that we, also, know very well. We buy their strontium carbonate, distribute it in the U.S. They were the company that bought our mine in Mexico. So, we have a good relation and know them well. Briefly, distributed some of their barium carbonate.

By the way, again, my comment with their shutdown had probably to do just as much with a strong peso to dollar. They had to deal with that. As you probably know, there's been an upward surge in the Mexico peso to the dollar. That put a little bit of a problem on them, as well as their declining reserves. They don't have the reserves

China does. They elected to close their mine. On the other hand, or course, they had world class cellecite reserves and they remain a very strong and powerful strontium carbonate producer.

Just an aside, and I think I mentioned this, but one thing that's very important to note is that freight cost are a very, very important part of all of these low margin -- relatively low margin commodity products. And from China, there's been traditionally very good ocean freight. Probably on average, you pay less than $30 a ton to go from China to the port of New Orleans. Barge freight, $10 a ton from the port of New Orleans to East Liverpool, Ohio.

Truck rates for our customers, since we're so close to our customers, because over 80 percent of our customers are within 150 miles of our plant, probably 15 bucks a ton. Compare that -- so, that's maybe $50 to $60 a ton all the way from China to East Liverpool. We have a customer in Georgia, we ship from East Liverpool to Georgia, 60 bucks a ton. So, I guess that it's probably fair to say that CPC's costs are 60 bucks a ton. So, these aren't fair, but that's the way freights are. So, these are real numbers. I didn't hear a lot of real numbers out of CPC, but these actually are numbers that I think are reliable and can be documented.

The final reason, again, I think, probably alluded

to by BassTech, that we think there should be a negative determination. Much of the data that has been provided by CPC really is because of the decline in the economy. A lot like '83, when they brought a charge about Chinese barium, they were in a recession. We sell numerous products to many industrial users, including calcium fluoride to the T.V. face plate industry. Prices are down and volumes are down, because, guess what, in a recession, that's what happens. So, we don't have any products right now that are up over two years ago.

I think a recession, just like '83, that was a very tough -- '82-83 was a very tough time. Here we are a very tough time. People are scrambling. It's by definition, just like you see -- zero percent auto sales, people are scrambling for -- trying to get a little product sold, so prices are going to be down, as well as volume.

So, I believe the biggest reason for any negative issues here, in terms of what we've seen in the past 18 months, is the fact that we are really in a recession. There's a manufacturing recession. Certainly, there's a tech recession. We've all heard that. T.V. face plates, CRT screens are part of that.

So, I don't believe the Peoples Republic of China is at fault. I don't believe Seaforth Mineral is at fault, BassTech is at fault. We're selling a product where our

producer is making a profit and I think that we're just trying to make a little profit ourselves. But, I think that there's no dumping. I think that we're in a situation where we're in a global commodity market and we're in a recession right now, and that's been the main reason for these kind of issues to come up.

So, I'd be happy to take questions, also. I want to thank the panel for allowing us to speak, and thank BassTech and my attorney for their help. Thank you.

MR. GOODALE: That concludes our testimony. Thank you.

MR. FEATHERSTONE: Thank you, Mr. Goodale for your presentation. Mr. Fischer?

MR. FISCHER: Fred Fischer, Office of Investigations, again. Let me just start with Mr. McClurg, since you just finished and it's on my mind here. If you could provide, in a post-conference brief, additional documentation on the transportation costs and other costs that you've made out, as well as any information on the foreign producer that you use to pass the shipments, alternative markets that they have. Any knowledge that you have that you can share with us of the Chinese -- of your Chinese producer and other Chinese producers would be helpful. Thank you.

MR. LEE: We can also -- maybe Alan can take

little time now to sort of talk about the transportation costs for the Red Star material and then just to give a general introduction of our story, to give another perspective of transportation costs.

MR. FISCHER: That's fine.

MR. CHALUP: One of the points that was alluded to was the change in the importation price, the AUV for the barium carbonate for 2002. The basic change in that was a change in the basic logistics systems for the handling of our products. As all our customers have been forced to become more innovative and take a look inwardly of their production processes as ways to cut costs, so was the challenge placed towards BassTech.

Traditionally, the barium carbonate and barium chemicals came to the United States by container load shipments, meaning the material was in bags and physically loaded into a container and the container came here to the United States. Due to a trade imbalance that was occurring and due to other costs, the rates for transport of containers escalated very quickly from China to the United States. Now, if you're selling clothing or something or electronics and if effects a penny or two per unit, no one really looks at it. But, when you add to it chemical, which is a low-cost chemical, you add a penny or two in freight, all of a sudden it makes a very big difference.

So, we were forced now to look at ways to bring the material from China to the United States more economically. And what we did, which Jim McClurg discussed, as take advantage of what's called these charted vessels that sail from China to the United States. And, basically, what that is, is that the vessels, themselves, are carrying minerals mostly, mostly in bulk, some in bags. But, they have some available space that's left on the vessel that they port charter or sell off. And we were able to take advantage of some of these freight.

The advantages are that are freight weight is less. The disadvantage is that the vessels sail much less frequently. They're like on a rent as needed basis, let's say. So, if people have material, they go. Not like a container vessel that, you know, has regular ports of call every two weeks or every day or every week or something like that. Therefore, when you see -- for the imports, you see that occasionally in several of the months they are what you would call import spikes. The import spikes were the basis that there was no level importation now on a monthly basis. We had to take advantage of vessels when they came available. So, we have been shipping much less frequently from China, but greater quantities per shipment.

Overall, the cost of shipping -- overall, the cost of bringing material into a warehouse or staging it, let's

say, at a port in China, loading the material onto a chartered vessel, transporting the material to New Orleans or to some gulf port, you're charging it by barge and moving the barge up to a warehouse location in Pittsburgh, which is the same as Seaforth said, within 200 miles, let's say, of our intended customers -- we only have one at the moment, but our intended customers, saves us a considerable amount of money and was able to make us more competitive here in the North American market.

MR. MCCLURG: That's a very important point, because the whole issue of freight, in all of these commodities, is a big part. It's the reason why CPC is not competitive and rarely has been on the west coast. It's too costly to get there. Same reason why FMC, which was based in Modesto, could never sell much on the east, too expensive to get there. It's maybe over $100 a ton, maybe $150 a ton, just to go from Cartersville to wherever, L.A. or someplace. Same thing, we bring -- we bring this up by barge into East Liverpool, Ohio, store it again, same thing. You have to bring fairly large quantities. So, you're getting like this. So, one quarter it may be up, the next quarter it may be down.

But the fact is, then, we're right in the heart of where our customers are. And, again, as I mentioned, the majority of our customers are based in Ohio and we sell to

customers, because it's very -- you know, they're very -- it's convenient. We can get there in half a day. Our truck drivers can just load up in the morning -- and, in fact, with one customer, we have to be there between 12:00 and 3:00, period. So, not too many can do that, because, unfortunately, truck drivers aren't the most -- sometimes the most reliable. But, if they're only 100 miles away, they can do it. That's such an important point. Thank you.

MR. FISCHER: To the extent that both of you can provide any additional document for information on this, it would be helpful.

Mr. Gutmann, you had mentioned in your testimony that there was -- that there were discussions with CPC and a potential relationship -- with some relationship there. To the extent you can provide any documentation or any additional information on that subject in your post-conference brief, that would be helpful.

MR. LEE: Yes, that --

MR. FISCHER: And likewise, any relationship that BassTech International would have with CMV, things that you discussed in your testimony, any specific documents, as well, please provide them.

MR. LEE: We have documentation that we can provide to the Commission.

MR. FISCHER: Those are my questions for now.

MR. FEATHERSTONE: Mr. Chalup, on the freight issue you were just talking about, were you still using containers when you changed -- so, it's now a bulk?

MR. CHALUP: Yes. Basically -- basically, the use of charter vessels have nullified the requirements for containers.

MR. FEATHERSTONE: Did that -- did that --

MR. CHALUP: It's still in bags. The material is still loaded in bags, but the bags are placed on the vessel.

MR. FEATHERSTONE: So, you didn't incur any additional packaging or repackaging expenses?

MR. CHALUP: No.

MR. FEATHERSTONE: Mr. St. Charles?

MR. ST. CHARLES: I simply want to thank you, very much, for your testimony today. I have no questions.

MS. DEFILIPPO: Thank you for your testimony. And to follow up a little bit on the freight issue, I don't want to go too much into it, because I know you're providing specific data. In terms of when you guys sell your product to your customer from your point of shipment in the U.S., from your facility here to that customer, who pays for that freight, you or your customer?

MR. CHALUP: Typically, we sell it on a delivery basis.

MS. DEFILIPPO: So, when you quote a price, you're

giving them a price that includes delivery to their door and it's included in that price?

MR. CHALUP: Correct. We give our customers one price, which includes everything.

MS. DEFILIPPO: Is that true for you, Mr. McClurg?

MR. MCCLURG: Generally -- we don't like to do that; but, generally, it is. A delivered price seems to be the way people wanted these things.

MS. DEFILIPPO: Okay.

MR. MCCLURG: Again, in the right packaging; remember that. I mean, in terms of things we do in the states, you don't see any import data, but we do custom packaging and we do custom screening sometimes, too. Again, all of these things add cost that you don't see in import statistics, so. And I'll say this, our -- I'll tell you this, our -- talk to my attorney -- our pricing to our customers is fairly similar over the last two years. I mean, it goes up and down a little bit, depending on who is buying what and what packaging and how far the delivery is. But, it's pretty stable for us.

MR. LEE: I think your question regarding pricing raises a good point, because petitioners have pointed to the AUV from the import stats and that is truly a very over simplistic way of looking at prices. The point at which competition is occurring is from BassTech or Seaforth to the

customer on a delivered price basis. The import volumes don't show it there.

MS. DEFILIPPO: We would not -- in our analysis, we rely on the questionnaire data, which is not -- in terms of pricing, not the import AUVs. But, what we ask for is we ask for net selling prices from either a producer or an importer directly to the next line of business, the next customer. But, I believe, in this case, we've has for FOB and it would not include U.S. inland transportation.

MR. LEE: Right. I guess if you need to make an adjustment from BassTech's warehouse to the point of customer, I think we could work to see if there is any adjustment that needs to be made there. My point was that it seemed like CPC was asking that the price of the Chinese material should be even further up on the distribution chain and we vehemently disagree with that.

MS. DEFILIPPO: Traditionally, we look at it from the producer, importer, to the first customer. I just have one more quick thing and I think many of these may end up being things that you would prefer to provide in your brief and that would be fine. I can't remember if it was Mr. Gutmann or Mr. Chalup. You noted that Red Star and/or BassTech sold to CPC for lower prices and for sales to other customers. To the extent you can actually provide data that shows that in your brief, that would be helpful.

MR. GUTMANN: We'd be happy to provide that information.

MS. DEFILIPPO: Okay. With regard to the relationship between Red Star and CMV, to the extent that you can provide some information in your brief on how the transactions occurred after that relationship was finalized with the U.S. customer, did you -- did, for example, Red Star and/or BassTech simply take over existing contracts or did you become then the negotiator with the importer? Did you keep the same -- I mean, did you offer the same prices or were you independent of CMV at that point? And what was -- were you working directly with the importer or were you working through CMV at all?

MR. CHALUP: BassTech, it was the contract partner with the final customer.

MS. DEFILIPPO: Okay.

MR. LEE: We'll be happy to provide all the details of this. It does tend to be a little bit on the financial side.

MS. DEFILIPPO: That's what I figured. One more thing for your brief, could you provide data, if you have it, to support the argument that Solvay material was lower priced than Red Star? I think someone mentioned that in their testimony. And last --

MR. LEE: Well, we don't have that data. This is

what we are hearing from our customers.

MS. DEFILIPPO: Okay.

MR. LEE: So --

MS. DEFILIPPO: Perhaps, if you could include information on which customers you've heard that from, that would also be helpful.

MR. LEE: Sure.

MS. DEFILIPPO: Thanks. And there was some discussion about the nature of the T.V. glass manufacturers and how they're big sort of global companies. And I was just wondering if anyone had information on their buying habits. Do they tend to buy on a global basis or they tend to buy for the U.S. needs just in the U.S.?

MR. CHALUP: Due to certain raw materials, which are used in glass production, let's say the largest being sand, that tends to be a local purchase item. Other items, which are specialty, let's say some rare -- that go into the production, some potassium nitrite or barium carbonate or strontium carbonate can be negotiated on a global basis, with the idea that you can get the same FOB price and then individual random prices to each of the facilities worldwide.

MS. DEFILIPPO: Okay. And I think the last request for your brief would be, if you could provide data on the quantity of the product sold to the west coast

structural clay manufacturer? And that's all my questions. Thank you, again, for your testimony. It was very helpful.

MR. FEATHERSTONE: Mr. Greenblatt?

MR. GREENBLATT: Thanks for your testimony, again, now that you can hear me. I guess I just have basically two questions. If you could provide the -- production costs -- you alluded to that in your testimony -- in the U.S. versus the PRC. You mentioned that in two scenarios: one is where the barite is being produced from U.S. sources; and the second is where the barite is imported from the PRC. If you could kind of give an estimate of what the total production costs compare in the PRC and in the U.S., I'd appreciate it.

The second one, in terms of the areas where you can get in the markets, obviously, that could be due to several reasons. One is technical. The other one is market or, you know, just getting -- getting through. And, again, looking at the glass, also looking at bricks and tiles, could you indicate, you know, which -- how important those factors are in the significant markets, where you aren't -- where you feel you could be higher and what is the -- you know, what is -- is it simply the fact of getting through or are there technical problems? And if you feel that there are some technical problems, you feel these technical problems are serious in nature or they can be simply resolved fairly quickly by R&D and so on.

MR. LEE: Would you like us to sort of go into a little bit more about the -- you know, the T.V. glass? Is that your concern? Because, I think that is -- their technical concerns are, in a large part, driving our ability to sell to them. And I think Alan went into some of the technical --

MR. GREENBLATT: Right, right.

MR. LEE: We can talk a little bit now about those factors as to, you know, why they are so reluctant to give Red Star material a chance in their production line.

MR. GREENBLATT: I know that you mentioned the fact that they're very conservative, because they're very reluctant to move to a new supplier, in light of the huge -- the large problems that would occur, if something went wrong. Yes, sure, why don't you discuss it, please.

MR. CHALUP: The main differences or the effects that can occur, let's say, we'll break it into two different categories. Let's say a physical difference and a chemical difference, okay. As CPC would like you to believe that a commodity, meaning that table salt, table salt, and nobody notices a difference, it's not actually true.

Globally, T.V. glass is a commodity item, which means that a producer like Panasonic or something might go to different suppliers to buy their glass. You, as a consumer, actually don't know where it came from. But, they

need to get to a final composition, which is consistent between all the suppliers. How they get there is a choice of the manufacturer. So what percentage of barium do they use or strontium or this or that, it's all relative. They all get to the same point, it's just how do they get there.

So, by -- there are two issues now for the barium carbonate. The physical issue is that of handling. As I said, a lot of the suppliers use "pneumatic systems," which means because of the great vast quantity of raw materials that they handle in powdered form, you can't have a guy sit there and start shoveling it into a Wayne Scale. I mean, it physically is not possible. The stuff arrives rail car quantities at a time. So, they use an automated batching system and then they use pneumatic systems to blow it all around and to hocker it in every way.

The standardization on calcine granulate material, as we were discussing, is because the physical strength of the product and the flowability of the material, okay. If the material was not physically strong enough, it would disintegrate in the handling process. Disintegration would cause clogging of their system, materials being blown out through the stacks, proportions when it finally gets all. All of that is a physical problem. So, the customers are very concerned regarding actual strength of the particle.

In the past, CPC had always claimed that their

particles were stronger or denser than other producers. Hence, producers are nervous about the possible risk of putting something in their system that would just disintegrate, okay. That's one barrier to entry.

The second one is that a lot of the traits elements or contaminants in the material are carried through from the ore, from the barite ore. You can't remove everything, okay. During this leaching process, as I said, or this purification process in production, a lot of the bulk impurities are removed. But, you leave a lot of smaller things that they measure, as well as the PPM range, parts per million, not whole percentages, not tenths of percentages, but parts per million. And what they're basically looking for is coloring oxide, things that will put a color to the screen, okay. If you have too much iron in your screen, the same thing in the beer bottle, I don't think you want to brown a green T.V. set. I mean, you want a clear -- crystal clear T.V.

All of these levels are controlled within the batch of the glass tank. As I said, from when you put the material on one end, from the time you put it into the other, it's a week. For them to make small little adjustments to the color of the screen or additions can't be instantaneous. It takes a while for it to work its way through. So, they are very, very reluctant to even mix

suppliers.

The only one, who mixes suppliers in a common silo, is Techniglass. That's how they're able to buy from three barium carbonate producers and use that material interchangeably. They have a system to do it. Everyone else, including Corning Hsia Video, American Video Glass, and Thompson, all have individual dedicated silos for each and every one of their suppliers. Once a supplier is in that silo, no one else goes in; no one else gets fixed. They're banking or -- or they're relying on the producer to have a continuity of both quality and supply to them.

So, another barrier to entry, as far as the quality goes, is that CPC, compared to Red Star barium carbonate, may have different trace elements. These are correctable in the batch. Can they adjust to it? Absolutely. Is it commercially possible? Not realistically the way they're currently set up, the producers. So, they would have to dedicate one whole silo or one whole glass tank or one whole production line per supplier, which is not the case.

MR. GREENBLATT: Thank you. What about, then, the other applications, like, for instance, bricks and tiles and so on?

MR. CHALUP: Bricks and tile applications before -- is a physical difference. The barium carbonate is spray

dried. The microflow that they sell has a much better flowability than a powder alternative. Chemically, the materials are similar. How they react within the brick is similar. The basis of the difference is just the flowability and the handling in their system.

MR. GREENBLATT: And would it be difficult for the PRC to produce that kind of flowability that is satisfactory?

MR. CHALUP: I believe, but I'm not really sure. I know microflow is trademarked. I thought the process had also been patented. I'm not absolutely sure.

Secondly, the production process to make a spray dry material, we believe maybe too costly to be done in China, because of the advantages they have here for natural gas production. So, they have an advantage here to produce this material over other locations. And the market side compared to that of, let's say, calcine granular powder is made a little bit smaller. So, there might be a threshold level where it would be economical to produce it. Needless to say, China is not interested in producing in that market.

MR. GREENBLATT: Thank you, very much. I have no further questions.

MR. FEATHERSTONE: Mr. Deyman?

MR. DEYMAN: I'm George Deyman, Office of Investigations. Exhibit 9 of the petition presents a news

clipping from 1999, indicating that the government of India imposed provisional antidumping duties on barium carbonate from China. Are these duties still in effect and, if so, do they cover all of the producers or exporters of barium carbonate from China?

MR. LEE: We are checking into that and we will hopefully have more details to provide in our post-conference brief.

MR. DEYMAN: Okay. Exhibit 4 of CPC's response to the Commerce Department's questions presented another press clipping that I mentioned earlier, indicating that production in China was 400,000 to 500,000 and that consumption was 1.3 million to 1.4 million tons. The petitioners say that that can't possibly be right. But, if you could address that now or in your post-conference brief, as to what the production levels and the consumption levels for all of China are.

MR. GUTMANN: We believe -- we can check for you and get more accurate numbers. The production in China is probably around 300,000 tons and consumption in China, which is growing, because they keep building new T.V. -- in China, is probably 150,000 tons.

MR. LEE: We'll have to take a look. When they refer to carbonate, does that include --

MR. DEYMAN: Right.

MR. LEE: -- barium carbonate, strontium carbonate -- you know, what is the classifications.

MR. DEYMAN: Right.

MR. LEE: There are seed stock issues, things like that. So, we'll take a look at that article and see if we can get some clarification.

MR. DEYMAN: I know you stressed earlier that the unit values of imports are not representative of the actual prices in the market. But, just as a measurement of the actual imports, would you recommend that we use the official statistics or the importer's questionnaire responses?

MR. LEE: From a volume perspective, I think the import stats are closer, I think, in terms of what the volumes are coming out of the importer side to the actual end user customer. So, unlike the pricing, there isn't that significant gap between the AUVs of the import stats and the pricing to the customer. But, there is still some lag between the time that the volumes are imported, when they hit the port, and when the material is actually shipped to the customer. So, all in all, I think we would probably recommend that the Commission use the importer's questionnaires for both volume and value.

MR. DEYMAN: Okay. And, finally, to what extent do you believe that any imports of barium carbonate from Hong Kong are not, in fact, imports transshipped from China?

MR. GUTMANN: As far as we know, there is no producer of barium carbonate in Hong Kong and we would guess that that's Chinese material. There is no producer in Hong Kong, anybody knows that.

MR. DEYMAN: I don't think the quantity is very large; but, you know, just for the record. And I have no further questions. Thank you.

MR. FEATHERSTONE: Okay. Thank you, again, for your testimony and for answers to the questions. We appreciate that very much. Mr. Price, would you like 10 minutes? Five minutes?

MR. PRICE: We will say ten minutes.

MR. FEATHERSTONE: Okay. We will recess for ten minutes and come back for concluding statements. Thank you.

(Whereupon, a brief recess was taken.)

MR. FEATHERSTONE: Can we resume the conference? Welcome back, Mr. Wood. Please proceed.

MR. WOOD: Thank you, Mr. Featherstone. I'd just like to make a few points to rebut a few of the things we heard this morning from the Respondents. We'll be covering a lot of these issues in more detail in our post-conference brief because a fair bit of the presentation was just at odds with reality as we know it, I think, and we're going to work with it.

Let's talk first about this idea that really the

only issue in this case is that it's just a simple substitution of imports from China for what used to be past imports from Mexico.

Well, there's a couple of things with that. One is just that, you know, whatever the average unit values represent, and I take Mr. Gutmann at his word that that's probably not what they're selling for in the United States today, although I'm curious as to how a land to duty paid value is that if it's not the price.

The bottom line is that what you're doing is you're replacing imports from CMV, which are substantially higher priced under any measure, with these imports from China. The trends are also very different. What you see is that the Chinese values, whatever they are again, are down $100 a ton in just two years.

If that's a port cost for the importers in China, that would correspond very nicely with what we're actually seeing in the market today, which is that for whatever reason the Chinese producers have determined to lower their cost to the United States so much that it makes it very easy for aggressive importers of this product to underbid CPC at virtually all of our accounts.

It's also interesting to think about how aggressively, even from Mr. Gutmann's own testimony, how aggressively BassTech sought to get someone to pair up with

them to get this entry into the TV glass market, to expand their share of TechniGlass, to get someone to use this product.

It's not difficult to understand why once you have the example and the track record of supplying barium carbonate to one television glass producer, then it's not difficult to leverage that into acceptance of the other producers.

I know we heard a lot today about qualification processes of these producers and how it might take ten years to get qualified. Frankly, we just can't imagine where that's coming from. The product being used -- I mean the process, excuse me, that they use at TechniGlass is identical to the process at every other TV glass producer.

As Mr. Lee said, I believe it was Mr. Lee said that, you know, most of the new TV glass production plants and a lot of the development has been in Asia, and those plants are using Chinese barium carbonate. It's a little implausible to suggest that these producers are going to feel for some reason that they can't use Chinese barium carbonate when facilities that share common ownership are already using it abroad.

Let's see. The real issue here and what we didn't hear much about from the Respondents this morning is price. You can see the influence of the Chinese material in the

U.S. market just by looking at the speed of the decline on the stuff.

The other factors that we heard about this morning haven't changed. Sure, everyone wants to reduce their costs. You always want to reduce your cost. To the extent there's any difference in Chinese barite or from that that CPC uses, and we have a few things to say on that, too, that's been the same since the beginning of time, but what we're actually seeing right now is that the prices are declining very sharply in a short period of time.

Our position is there's just nothing else that explains that other than this very large increase in Chinese imports; not only the volume, but also the underbidding that is going on, as Mr. Bourdon and Mr. Mauldin told you this morning, at virtually every one of CPC's customers.

Let's see. I want to talk just briefly about the transportation cost issue as well because we heard a little bit about that. We'll get into more detail on this in the post-conference brief, but don't let that mislead you. CPC has very significant advantages in terms of transportation costs, one, because they can use bulk rail, which goes right through their plant in Cartersville.

I can guarantee you that that is a lot cheaper than shipping this product 5,000 miles from China, bring it in, loading it up to a barge somewhere, unpacking it,

repacking it for a customer delivery taking all that. It's hard to imagine that that's really a significant advantage that the Chinese have.

I also want to talk a little bit about the threat aspects of this case because we're really worried about what we see coming down the pike. The infrastructure is now in place for the Chinese to supply as much tonnage as they're able to get at these accounts.

Like I said, the fact that they are out there bidding to take volume at all of these accounts suggests that they certainly expect that their volume is going to increase going forward. The increase in capacity that we're seeing added by the Chinese in the last few years is certainly a lot faster than the five percent or so increase in TV demand in Asia that Mr. Lee mentioned earlier.

Finally, I think there was a little bit of discussion done about global sourcing and how important global procurement was. We can tell you that the TV glass producers here source locally for local consumption at their barium carbonate plants. CPC has never been asked to bid for some sort of global supply contract.

The bottom line is we hope that you'll look very carefully at the pricing data. We've shown specific lost sales/lost revenue allegations, which we will be adding to, by the way, because this is continuing every single day in

the market. We think the facts pretty clearly support an affirmative determination.

Thank you very much.

MR. FEATHERSTONE: Thank you, Mr. Wood.

Welcome back, Mr. Lee.

MR. LEE: Thank you. Adams Lee again. I'd like to start by asking the Commission to look a little bit deeper on a few issues, particularly as they relate to CPC.

First, I would like to ask the Commission to follow up with CPC and get a little more detail about their barite ore sourcing. They answered that most of their barite ore is sourced locally, but we'd like to find out where did the other barite ore come from? How much barite ore did it come from? Over what time periods did it come from? It is relevant to the production of barium carbonate.

As Mr. Chalup described, the quality of the barite ore has a direct impact on how efficiently you can produce your barium carbonate. Right now we believe that if they are sourcing from Georgia, their barite ore is inferior to the quality of the barite ore in China. Therefore, they are going to require more beneficiation or processing to get it up to the purity levels required for your barium carbonate.

Alternatively, if they're importing from China that barite ore is going to have the transportation costs of getting it from China to Cartersville, Georgia. Either way,

that barite ore is going to be a cost disadvantage compared to the Chinese Red Star barium carbonate.

We would also ask the Commission to follow up on CPC's production costs of the various types of barium carbonate, powdered versus granular. Mr. Greenblatt referred to that in trying to ask CPC to break down the production costs for comparing powdered versus granular.

We would ask the Commission to examine whether the raw material, namely that barite ore, the natural gas and the processing time have been accurately allocated between the powdered and the granular product. You need to ask whether the production processes for powdered and granular are similar enough so that you would expect the material cost to be allocated evenly or at what point would they differ and one would have more natural gas cost, for example, than the other.

We would also ask the Commission to look at strontium carbonate because strontium carbonate is another material that TV glass producers purchase. It is representative of all raw materials, and it would serve as a benchmark to see what's happening with the barium carbonate market. Is it that much different from every other raw material that's going to the TV glass producers?

It's also important because CPC is a major producer/supplier of strontium carbonate. What's happening

with their strontium carbonate prices probably has some bearing with their barium carbonate prices. We urge the Commission to take a look at that.

Finally, we also ask the Commission to ask CPC when, if ever, did CPC make sales to west coast customers. This is completely different from making an offer because offers to west coast sales are unrealistic if the transportation costs are so exorbitant that no rational west coast customer would even bother to look at it. They would immediately throw it in the trash can because they would know transporting material from Cartersville, Georgia, to the west coast is just outrageously too expensive.

We feel that this petition is meritless and that the Commission should vote negative in terms of material injury and threat of material injury. Looking at the conditions of competition, two key factors stand out. On the demand side, you have the multinational corporations that are involved in the TV set industry, the picture tube industry and the TV glass industry. At each stage there is intense competition that is causing intense pressure further up the distribution chain. Who bears the brunt of this? The raw material suppliers, including the barium carbonate suppliers.

The bottom line, though, is when you look at what's actually happening to the barium carbonate demand

you're seeing the effects of a major economic downturn in 2001. This is affecting everything from barium carbonate suppliers and other raw material suppliers all the way up to the TV set manufacturers.

This pressure is causing the multinationals to respond to the increasing pressure by reducing their costs and shifting from high cost production sites in developed countries like the U.S., Europe and Japan and moving to lower cost areas like Mexico, eastern Europe, southeast Asia and China.

It's noticeable that in this economic downturn what is not adversely affected by the economic downturn. You talk about the internet bubble. People are now starting to talk about the housing bubble. Housing has not been affected as much.

As CPC noted today, the brick and tile segment corresponds with housing starts, with the housing market. Compared to CRTs and picture tubes, the housing market is strong, and that would explain in part why that market segment for CPC has remained strong.

In sum, we look at volume, and we fail to see how CPC has demonstrated any credible record evidence that import volumes are significant in any way. They keep saying well, there's something else behind the story that Chinese material simply replaced Mexican supply. We will provide

the documents to show that this is virtually a one-to-one exchange. There is nothing that CPC has pointed to that shows that their volumes were affected in any way.

With regard to pricing, they keep saying look at the AUVs. They're declining. This is completely an over simplistic view that totally ignores the effects of the qualification process. Perhaps it's understandable because CPC has already been qualified. They have been the supplier for many years. They are on the inside. They haven't had to worry about qualification for all these years.

On the other hand, we're on the outside looking in. We are probably more familiar with the barriers of the qualification process because we know it has kept us out. That is our proof that the qualification process is a significant barrier.

With regard to impact, CPC complains about higher natural gas prices in 2000, but they provide no legal justification or rational explanation why these natural gas prices have any bearing on the Chinese imports. They also fail to explain why they should be entitled to pass on these costs to customers who also face those same price hikes. They can't pass their costs, those natural gas cost increases, to their customers, so why should CPC be entitled to pass their costs on to them?

With regard to impact, we also note that CPC has

basically ignored the global market relevant to the TV glass industry, the TV set industry, and instead they have chosen to isolate themselves in Cartersville, Georgia, and basically ignore that all of their customers are multinational corporations that are moving and recognizing the worldwide trend of looking at every possible sourcing option in order to reduce their costs and to survive on a global basis.

I think it is a bit naive and stubborn for CPC, given that all the TV producers are multinationals and they're just saying well, we're just local, and we're going to stay here in Cartersville and supply the U.S. market. TVs are sold worldwide. They're produced worldwide. They're being supplied from material suppliers worldwide.

Finally, with regard to threat, although Chinese barium carbonate has increased capacity and production over the POI, the record shows that such increases have been committed to Asia and home market customers. Given that the TV glass, picture tube and assembly sites are all located in Asia, it's natural for the Chinese barium carbonate to be sold in these markets. They always have been. They always will.

CPC has speculated that just because BassTech has begun to sell to TechniGlass, that means that all the other customers are going to follow suit immediately.

Unfortunately, the reality of how these other TV glass producers work, we don't think it's realistically going to happen any time in the near future.

When you talk about the qualification process, look at what factors these multinational corporations are looking at and in particular at each individual production site. Thompson may have three video glass/TV glass sites here in the United States, one in France and one in Poland, but each site has their own unique characteristics.

In sum, it seems that CPC is crying out a little like Chicken Little. They have seen one acorn fall on their head, and they think that the sky is falling. When you look at the data, the volume did not really hurt them. The pricing is not significantly underselling their product.

Where is the impact? Is it caused by the Chinese imports? Look at their barite ore costs. Look at their natural gas costs. Does this have anything to do with Chinese barium carbonate imports?

In our view, we feel that it does not have anything to do with CPC. Accordingly, even under the lower legal standards applicable to the prelim investigation, we feel that the record of evidence supports a negative determination; that there is no reasonable indication of material injury or threat of material injury to the domestic industry.

Thank you.

MR. FEATHERSTONE: Thank you, Mr. Lee.

A couple of quick reminders. The deadline for the submission of corrections to the transcript and briefs in this investigation is Friday, October 25. If briefs contain business proprietary information, a non-proprietary version is due on Monday, the 28th.

The Commission has not yet scheduled its vote on the investigation. It will be on either November 13 or 14, and we will notify parties just as soon as they settle that.

Commissioners' opinions will be released and transmitted to Commerce on November 21.

Thank you again for your participation. This conference is adjourned.

(Whereupon, at 1:30 p.m. the conference in the above-entitled matter was concluded.)

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CERTIFICATION OF TRANSCRIPTION

TITLE: Barium Carbonate from China

INVESTIGATION NO.: 731-TA-1020 (Preliminary)

HEARING DATE: October 22, 2002

LOCATION: Washington, D.C.

NATURE OF HEARING: Preliminary Conference

I hereby certify that the foregoing/attached transcript is a true, correct and complete record of the above-referenced proceeding(s) of the U.S. International Trade Commission.

DATE: October 22, 2002

SIGNED: LaShonne Robinson
Signature of the Contractor or the Authorized Contractor's Representative
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Washington, D.C. 20005

I hereby certify that I am not the Court Reporter and that I have proofread the above-referenced transcript of the proceeding(s) of the U.S. International Trade Commission, against the aforementioned Court Reporter's notes and recordings, for accuracy in transcription in the spelling, hyphenation, punctuation and speaker-identification, and did not make any changes of a substantive nature. The foregoing/attached transcript is a true, correct and complete transcription of the proceeding(s).

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